Half-yearly Financial Report 2008.

Banking – Made in Germany.

LBBW

2008

Key Figures of the LBBW Group.

Income statement (EUR million) [1]	Jan. 1 – June 30, 2008	Jan. 1. – June 30, 2007
Net interest income	1,142	1,097
Allowance for losses on loans and advances	23	–115
Net fee and commission income	259	254
Net trading income/loss [2]	–467	63
Other operating income [3]	130	51
Administrative expenses	–904	–773
Net income/loss from investment securities	–168	70
Net income/loss from investments accounted for using the equity method and from profit/loss transfer agreements	–3	0
Operating profit	**12**	**647**
Restructuring expenses	–76	–7
Consolidated profit before tax	**–64**	**640**
Income tax	–80	–198
Consolidated loss (–)/consolidated profit (+)	**–144**	**442**
Key figures in %	June 30, 2008	June 30, 2007
Consolidated profit/loss before tax [4]	0.3	13.9
Cost/income ratio	84.9	52.8
Balance sheet figures (EUR billion)	June 30, 2008	Dec. 31, 2007
Total assets	500.4	443.4
Risk volume according to SolvV (German Solvency Regulation)/KWG (German Banking Act) [positions subject to a capital charge] [5]	174.2	191.4
Equity (consolidated capital less net retained profit, including hybrid capital, subordinated debt, and capital generated by profit participation rights)	21.1	21.6
Regulatory figures [5]	June 30, 2008 according to SolvV	Dec. 31, 2007 according to KWG
Core capital (EUR billion)	12.7	12.4
Own funds (EUR billion)	19.3	18.6
Core capital ratio (in %)	7.3	6.5[6]
Overall ratio (in %)	11.1	9.7
Employees	Number	Number
Group	12,750	12,303

Rating (April 2008)

Rating agency	Long-term rating Guaranteed obligations	Long-term rating Unguaranteed obligations	Financial strength	Pfandbriefe (public-sector)	Pfandbriefe (mortgage-backed)
Standard & Poor's	AA+	A+	–	AAA	–
Moody's Investors Service	Aaa	Aa1	C	Aaa	Aaa
Fitch Ratings	AAA	A+	B/C	AAA	–

[1] Differences are due to rounding.
[2] In addition to net trading income/loss, this item also includes net income/loss from financial instruments designated at fair value and net income/loss from hedging transactions.
[3] In addition to other operating income/expenses, this item also includes net income/loss from investment property.
[4] Not including restructuring expenses. Projected for the year as a whole.
[5] The figures as of June 30, 2008 are based on the new Solvabilitätsverordnung (German Solvency Regulation) whereas the figures as of December 31, 2007 were calculated based on Principle I.
[6] Based on total risk volume (positions subject to a capital charge) in accordance with the KWG (German Banking Act).

Foreword.

Dear Customers and Business Partners of the LBBW Group

In the first six months of 2008, we look back on the one-year mark of the international financial market crisis on the one hand, and months of successful operations on the other. On the whole, LBBW's satisfactory business performance in the second quarter offset the difficult first three months of the year for an operating profit of EUR 12 million as of June 30. Adjusted for the effects of the financial market crisis, operating profit totaled EUR 690 million, exceeding the previous year's figure of EUR 647 million. Including restructuring expenses for the integration of Sachsen LB and LRP, the consolidated loss before tax amounted to EUR 64 million.

Above all, strong business with corporate customers and the capital market-oriented customer business balanced out the adverse effects from the credit substitute business due to the financial market crisis. We will pursue the efforts already underway to boost our business with customers even more vigorously and even more rapidly. This was how the Group reached significant milestones in the past six months. The most notable achievements in this regard were the aforementioned integration of the former Sachsen LB and the former subsidiary Landesbank Rheinland-Pfalz (LRP) into the Group and the restructuring of their business models. These developments underscore the necessity of turning the focus away from the credit substitute business and toward the client business.

The integration of these institutions into LBBW is enabling us to generate synergies with a value solidly in the high two-digit millions. Cost savings are only one side of the coin, however. Even more significantly, we are developing new regions for the Group's business and substantially expanding our sales potential. Thanks to the new regional brands, Sachsen Bank and Rheinland-Pfalz Bank, we are establishing LBBW as a partner to larger mid-sized companies as well as high-end and high net-worth private individuals in Rhineland-Palatinate, Saxony and their respective neighboring states.

Together with BW Bank, which is well-established in LBBW's home market of Baden-Württemberg, the LBBW Group's business with customers now rests on three strong regional pillars. As the top bank in Baden-Württemberg, LBBW is well on its way to becoming an established partner to customers in Germany's economically strong regions and beyond – for example, in Eastern Europe, where we are creating a valuable foundation for business with the acquisition of the BAWAG Bank CZ.

A look at our segment figures confirms that we are on the right path strategically. In the Corporates segment and in the Financial Markets segment, LBBW saw notable increases in earnings in the first six months of the year.

As in 2007, the volume of loans extended to corporate customers once again climbed sharply, and capital market financing became more important. This is a trend that also benefits LBBW's customer-driven capital market business: The volume of borrower's note loans arranged and placed by LBBW totaling around EUR 8 billion in the first six months already exceeded the figure for the previous year as a whole several times over.

The situation is somewhat more difficult for our retail customer business. In this segment, we are facing intense competition with high levels of margin pressure in the mass-market business. In an effort to counter this development, we are selectively developing our business with high-end and high net-worth customers in Baden-Württemberg and beyond. Our customers' securities accounts already saw an inflow of new funds of approximately EUR 1 billion in the first half of the year.

The financial market crisis once again underscored the fact that the strategy we began to pursue long ago to expand our business with customers was and is the correct one. Varied and well-balanced sources of income, LBBW's tried-and-tested conservative risk policy, and our extremely solid capital backing are the success factors to which we will continue to adhere. This foundation enables us to offer our customers a reliable, long-term partnership, our investors an attractive investment, and our owners a solid equity investment.

On behalf of the entire Board of Managing Directors, I would like to thank our employees for their commitment and our owners for their constructive support. Not least, we would especially like to thank our many customers for a positive and successful partnership.

Sincerely,

DR. SIEGFRIED JASCHINSKI
Chairman of the Board of Managing Directors

Interim Group Management Report.

Economic Environment.

In the first half of 2008, the global economy was under the shadow of the US financial market crisis and markedly higher inflation rates. Surprisingly, while key global early indicators darkened, growth rates in the industrialized countries remained positive in some cases. Although a significant downturn was originally expected in the United States, GDP growth in the first six months is expected to be up 2.2 % compared to the same period in the previous year. Consumer spending and export trends had a positive effect on the economy. Exports benefited significantly from a weak US dollar, which made US products less expensive abroad. Nonetheless, some macroeconomic indicators signaled a downward turn in the largest economy in the world. These include a decline in jobs outside of the agricultural sector that began early in the year, sluggish incoming orders for durable goods, and a drop in industrial output. The emerging markets in Asia and Eastern Europe were no longer able to keep pace with the expansion rates achieved in 2007, but growth remained robust.

Germany's economy had an energetic start to 2008. In the first quarter, the real gross domestic product rose by 2.6 % over the prior-year quarter. Warm weather gave a boost to construction activities. In addition, full manufacturing order books ensured a high level of production. The weather-related pull-forward effects in the construction industry then left traces in the second quarter. In a direct quarter-on-quarter comparison, initial estimates indicate that Germany's GDP shrank by 0.5 % as a result. In a year-on-year comparison, growth amounted to 1.7 %. The positive start to the year in Germany ultimately lifted GDP growth in the Eurozone. In the first quarter, the common currency area recorded GDP growth of 2.1 % year-on-year. In the second quarter of 2008, however, the Eurozone's economy was forced to bow to various pressures: rising energy prices, euro appreciation, and a cooling global economy. GDP growth slowed to 1.5 % compared to the second quarter of 2007. In addition to Germany, France (– 0.3 %) and Italy (– 0.3 %) also reported a decline in economic output compared to the prior quarter.

Sharply higher inflation rates on the one hand and economic downside risks on the other hand made it difficult for central banks to fix a direction for their monetary policy. The US Federal Reserve initially focused on economic risks arising from the financial market crisis. Moreover, the battered US banking sector urgently required additional injections of liquidity. The difficult situation made it necessary for the Fed to continue its cycle of interest rate cuts begun in September 2007. The Federal Reserve lowered its most important key rate by a total of 225 basis points to 2% in the first half of 2008. Central banks in England and Canada also opted for an expansive monetary policy and cut their key rates. In the United States, inflation climbed to 5% in June 2008 as the result of the rapid rise in energy and food prices. This environment reinforced the Federal Reserve's concerns about price risks, and it did not hold out hopes of additional interest rate cuts for the time being. The ECB initially also emphasized growth risks, but a substantial rise in inflationary pressure led ECB members to also change their argumentation toward a stronger weighting of inflation risks. In June, the inflation rate in the Eurozone was 4% – a rate never before measured in ECB history. At the beginning of the second six months, the ECB finally raised its key rate by 25 basis points to 4.25%.

Bond market developments largely reflected the stance taken by the central banks. The emphasis on growth risks and an observed flight to quality initially shored up bond markets. Yields on 10-year German federal government bonds dropped to just under 3.70% by mid-March with 10-year US Treasuries quoting under 3.40%.

Accelerated inflationary pressures and a change in opinion among market participants with regard to the future course of monetary policy ultimately led to an increase in yields to 4.60% on 10-year German government bonds and 4.20% on 10-year US Treasuries at the end of June 2008.

The financial market crisis in the United States and the expanding interest rate gap between the Eurozone and the United States shaped events on foreign exchange markets. The euro posted further gains against the US dollar and, at exchange rates exceeding USD 1.60/EUR 1.00, reached a temporary high in the latter part of April. Despite the interest rate hike by 25 basis points in the Eurozone in early July and the ECB's concerns about monetary stability, the upward trend in the value of the euro came to a temporary halt. The less rosy economic prospects for the Eurozone – key economic indicators, such as economic sentiment, have fallen to their lowest levels since spring 2003 – gave rise to market expectations that the spread between key rates in the euro and US dollar areas had reached their zenith.

Stock markets around the globe experienced a true roller coaster ride in the first half of the year. In the first quarter, the mood darkened considerably. The ever stronger emergence of the effects of the financial market crisis and greater uncertainty about further economic developments, especially in the United States, put substantial pressure on stock markets. Germany's key index fell to just under 6,200 points by mid-March, and the Dow Jones dropped below the 12,000 mark at the same time. After a recovery phase in April and May, stock prices dropped again. This development affected US stocks particularly heavily. At the start of the second half of the year, the Dow Jones fell to just under 11,000 points. The high inflation rates and especially the increase in raw materials prices along with problems arising again at various US banks made stock market investments increasingly unattractive.

Report on Net Assets, Financial Position, and Results of Operations.

Results of Operations.

Consolidated Income Statement of the LBBW Group.

	Jan. 1 – June 30, 2008 EUR million	Jan. 1 – June 30, 2007 EUR million	EUR million	Change in %
1. Net interest income	**1,142**	**1,097**	**45**	**4.1**
2. Allowance for losses on loans and advances	23	– 115	138	–
3. Net fee and commission income	259	254	5	2.0
4. Net trading income/loss [1]	– 467	63	– 530	–
5. Other operating income [2]	130	51	79	> 100.0
6. Total operating income (after allowance for losses on loans and advances)	**1,087**	**1,350**	**– 263**	**– 19.5**
7. Administrative expenses	– 904	– 773	– 131	16.9
8. Net income/loss from investment securities	– 168	70	– 238	–
9. Net income/loss from investments accounted for using the equity method and from profit/loss transfer agreements	– 3	0	– 3	–
10. Operating profit	**12**	**647**	**– 635**	**– 98.1**
11. Restructuring expenses	– 76	-7	– 69	> 100.0
12. Consolidated profit/loss before tax	**– 64**	**640**	**– 704**	–
13. Income tax	– 80	– 198	118	– 59.6
14. Consolidated loss (–)/ consolidated profit (+)	**– 144**	**442**	**– 586**	–

1) In addition to net trading income/loss, this item also includes net income/loss from financial instruments designated at fair value and net income/loss from hedging transactions.
2) In addition to other operating income/expenses, this item also includes net income/loss from investment property.

In summer 2007, rising default rates in the subprime segment of the US mortgage market caused several shock waves on international monetary and credit markets. The upheaval on credit markets, which mainly became evident in significant widening of spreads, led to sometimes considerable liquidity bottlenecks on international interbank money markets and therefore to increased funding expenses. In terms of its duration, this crisis of confidence, which has lasted nearly 12 months now, is expected to stretch well into 2009.

As in the second half of fiscal 2007, the LBBW Group's results of operations in the first six months of 2008 were therefore marked by distortions in the market for the relevant securitized products. Additional pressure was put on the LBBW Group as of June 30, 2008 due to the additional write-downs that had to be recognized on securitized products acquired during the takeover of former Landesbank Sachsen AG (»Sachsen LB«). On the whole, the financial market crisis left only a few market participants largely unscathed, whereas the majority of players, including the LBBW Group, were unable to distance themselves from the crisis in the United States.

LBBW continues to adhere to the opinion held since the end of 2007, that the adverse effects of the crisis on the income statement and on the Group's capital are temporary. Due to the excellent credit ratings of the underlying financial instruments, it is not expected that issuers will default upon maturity to the same extent that impairments are currently required to be recognized under the fair value accounting stipulated by the IFRSs. Instead, fair value gains can be expected in the future that will balance out the exaggerations visible to date in these downward valuation adjustments. The necessary basis for this assessment is the solidity of the liquidity situation and the credit-worthiness of the securitized products in the portfolio. The LBBW Group is confident that these two factors are in place.

Integration-related increase in volume of securitized products.

From the product perspective, absorbing the effects of the financial market crisis mainly involved declines in the fair value of securitized products (CDOs, ABSs, CMBSs, and RMBSs). The LBBW Group's portfolio of acquired securitized products amounted to a total of EUR 28 billion as of June 30, 2008, an increase of EUR 10 billion compared to the end of the year. This increase in volume was largely the result of the first-time recognition of the former Sachsen LB's portfolio of securitized products and the subsidiaries and special-purpose entities connected with Sachsen LB. The LBBW Group's portfolio of securitized products therefore includes all securitized issues held by the total of 17 special-purpose entities, which were consolidated as of June 30, 2008. This inclusion in consolidation ensures that all material risks arising from this type of vehicle were reflected in the 2008 Half-yearly Financial Report of the LBBW Group.

The LBBW Group's income statement reflected a drag on earnings of EUR –678 million in the first six months of fiscal 2008 due to the financial market crisis. EUR –565 million of this expense, which was not linked to the performance of LBBW's operating activities, was due to declines in the fair value of financial instruments held in the trading portfolio. Another EUR –113 million was due to the net loss from structured securities classified in the available-for-sale (AfS) and loans and receivables (LaR) categories, which affected the net income/loss from investment securities item.

In addition, declines in market value resulting from the financial market crisis also affected items not contained in the income statement. This was true in the amount of EUR –815 million in the case of AfS structured securities, which saw losses from fair value measurement which generally had to be recognized in the revaluation reserve, thereby reducing equity.

Slightly positive operating profit despite pressures of financial market crisis.

In terms of earnings in the first half of 2008, the LBBW Group, with securities portfolios of EUR 150 billion, was unable to fully escape the market turbulence caused by the financial market crisis. Despite the continued difficult environment during the first six months, LBBW Group generated a slightly positive operating profit of EUR 12 million. Adjusted for the above-mentioned declines in market value, which were required to be recognized in income and lasted longer than expected due to multiple flare-ups of the crisis, the LBBW Group generated an operating profit as of June 30, 2008 amounting to EUR 690 million, up from the previous year's figure totaling EUR 647 million. This was not least due to the solid performance posted by the Corporates and Financial Markets operating segments and the LBBW Group's broad diversification of income sources evident here. The Group's well-balanced, consistently customer-driven business model was closely linked to this mix of earnings sources, which can be considered sustainable.

Net interest income saw a moderate increase by 4.1 %, or EUR 45 million, to EUR 1,142 million. LBBW was able to offset a decline in net interest income from operations resulting from increased expenses for obtaining liquidity and funding associated with the financial market crisis and increased CDS hedging costs for selected loan portfolios with contrastingly positive earnings growth. Compared to the previous year, the decrease in non-recurring income from the early repayment of funding facilities put a damper on net interest income.

The allowance for losses on loans and advances improved by EUR 138 million over the first six months of 2007. A net reversal of EUR 23 million resulted for this item as of the reporting date of June 30, 2008. A key factor in this regard was the continued positive influence of the healthy economic environment in LBBW's core market, as well as the excellent quality of the loan portfolio and unchanged conservative risk policy.

Fee and commission income had a solid start to the 2008 fiscal year. At EUR 259 million, the previous year's income level was even exceeded slightly. Growth in fee and commission income from all types of commissions amounted to 2.0%, or EUR 5 million. The decline in fee and commission income from the securities and securities portfolio business by EUR 20 million, which was largely due to stock market developments, was more than offset by growth in other types of commission.

As of June 30, 2008, LBBW's net trading income was affected adversely in the amount of EUR –565 million due to remeasurement losses resulting from the upheaval on financial markets. Of this amount EUR 214 million was attributable to the remeasurement of credit default swaps (CDS), the majority of which related to banks, corporates, and sovereigns (directly and via indices) with good to excellent credit ratings. An additional EUR 351 million was due to the recognition of spread widening relating to structured securities in the HfT (held-for-trading) and FVO (fair value option) categories. On the whole, the net trading income dropped by EUR 530 million for a loss of EUR –467 million.

LBBW's other operating income more than doubled compared with the previous year. After overall growth of EUR 79 million, other operating income amounted to EUR 130 million as of the reporting date. The increase in this income item is primarily due to the recognition of revenue from the handover and the realization of part of the profits, respectively, from the development of two commercial projects and to higher income from management of properties for sale.

The performance of the LBBW Group's individual sources of income indicates that despite the effects of a still-turbulent financial market environment, weakness was once again experienced only in certain income items in the current fiscal year to date. Despite the substantial drag caused by the financial market crisis, the LBBW Group generated overall operating income (after allowance for losses on loans and advances) of EUR 1.1 billion in the first half of fiscal 2008.

Costs influenced by integration efforts.

Administrative expenses grew noticeably by 16.9 % or EUR 131 million to EUR –904 million. The increase in this category of expenses was attributable to the changes in staff costs (14.9 %, or EUR 70 million) and changes in other administrative expenses (22.1 %, or EUR 54 million). The growth in these two sub-items is largely due to the integration of the former Sachsen LB into the LBBW Group and the initial consolidation of subsidiaries connected with the former Sachsen LB. Additional growth in administrative expenses was the result of the increased number of staff in growth segments and the higher provisions for pensions necessitated by the pending approval of the new collective wage agreement for the banking industry.

Due to the pressure on earnings associated with the continuation of the financial market crisis described or quantified above, the LBBW Group's cost-income ratio (CIR) adjusted for the adverse effects of the financial market crisis on net trading income/loss was 55.5 % as of June 30, 2008. LBBW therefore continues to hold a competitive position among German banks. LBBW Group's return on equity (RoE), also adjusted for the effects of the financial market crisis, was 14.3 % as of the reporting date. This is also a competitive figure by industry standards.

The net loss from investment securities reflected a net increase in expenses as of June 30, 2008 of EUR 238 million and therefore amounted to EUR –168 million. This item mainly includes the impairment losses recognized for structured securities in the available-for-sale or loans and receivables categories totaling EUR 209 million, which the LBBW Group was required to report in the income statement with the corresponding adverse effect. As of June 30, 2008, the level of actual defaults was low from a cumulative perspective. Moreover, during the same period, impairments on available-for-sale investments totaling EUR 23 million were recognized. This was offset by liquidation proceeds of EUR 96 million from structured products.

Adverse future effects already anticipated.

The increase in restructuring expenses by EUR 69 million to EUR –76 million related to expenses for extensive project activities in connection with the integration of the former Sachsen LB and the former Landesbank Rheinland-Pfalz into the Group, including expenses for the associated human resources measures and migration of IT systems. The fact that LBBW's reported consolidated loss before tax amounted to EUR – 64 million in the first half of 2008 was mainly the result of the recognition of these integration-related expenses.

LBBW Group's tax expense dropped by 59.6%, or EUR 118 million, to EUR –80 million. A large part of the tax expense incurred in the first half of 2008 was attributable to the mainly merger-related extraordinary factor resulting from the non-recurrence of previously capitalized loss carryforwards of EUR 76 million. Operating activities gave rise to a positive effect in the first half of 2008 from the recognition of tax-free situations in the form of tax-free dividend income and an offsetting effect from the recognition of non-deductible operating expenses in the form of write-downs to the going concern value for tax purposes (Teilwertabschreibung) on liquidity reserves. As a result, the LBBW Group's consolidated loss after tax as of June 30, 2008 was EUR –144 million.

Net Assets and Financial Position.

Business volume.

Compared to the end of the year, the LBBW Group's business volume (the Group's total assets including off-balance sheet guarantee and surety obligations and irrevocable loan commitments) rose by 12.2%, or EUR 58 billion, to EUR 535 billion, which was due almost exclusively to growth in certain balance sheet items. During the same period, this growth amounted to 12.9%, or EUR 57 billion, for total assets of EUR 500 billion for the Group as of the reporting date of June 30, 2008. The reason for the sharp increase in volume was mainly the acquisition of Sachsen LB on March 6, 2008 and the consolidation of subsidiaries and special-purpose entities connected with Sachsen LB.

At EUR 1,831 billion as of the reporting date, the nominal volume of derivative transactions was slightly lower than at the end of the year (EUR 1,933 billion) after a decline of 5.3%, or EUR 102 billion. Broken down by individual products, the decreased volume was almost exclusively attributable to interest-rate derivatives, and more specifically forward rate agreements. After the first six months of the 2008 fiscal year, the derivatives volume on a nominal value basis equaled 3.7 times the Group's total assets. Inherent in this type of observation is the fact that largely closed-out positions from offsetting derivatives are not included in a compensatory way. Open positions from trading portfolios fell within the stipulated risk limits. Transactions are assigned to the category of proprietary trading transactions in accordance with the rules laid down by the Board of Managing Directors.

Lending.

Compared to December 31, 2007, three asset items experienced significant changes that related primarily to the acquisition of the former Sachsen LB.

Loans and advances saw a sharp increase by a total of 7.9%, or EUR 23 billion. Loans and advances to other banks rose by 15.1%, or EUR 22 billion, to EUR 165 billion since the end of the year. Within this item, the portfolio of securities repurchase agreements changed the most: this figure grew by EUR 12 billion to EUR 30 billion as of the reporting date. However, this had only a minimal effect on the overall composition of the loans and advances to other banks item, which continues to have a balanced structure. During the same period, loans and advances to customers rose by 0.8%, or EUR 1 billion, to EUR 148 billion.

As a result, the LBBW Group's loan volume expanded considerably as of June 30, 2008. On the whole, this figure amounted to EUR 348 billion as of the reporting date, for an increase of 7.4%, or EUR 24 billion, compared to the figure at the end of 2007. The LBBW Group's loan volume includes off-balance sheet guarantee and surety obligations and irrevocable loan commitments, in addition to loans and advances to other banks and customers.

The portfolio of loans and advances to customers continued to be broadly diversified as of the reporting date. Additional information is available in the section on credit risks in the Risk Report.

In addition to the loans and receivables category, the volume of trading assets and investment securities also rose, mostly due to the acquisition. Trading assets totaled EUR 62 billion, growing by 21.6%, or EUR 11 billion, over the comparative figure. This increase is almost exclusively due to an increase in the portfolio of money market securities. Investment securities saw a nearly identical increase by 16.2%, or EUR 14 billion, to EUR 102 billion. As of the reporting date, 90.3% (December 31, 2007: 98.6%) of the LBBW Group's investment securities were classified as available-for-sale.

Funding.

The changes in funding items and the resulting greater weighting of deposits from other banks within the funding structure was mainly due to the above-mentioned change in ownership of the former Sachsen LB.

Climbing 20.0 %, or EUR 31 billion, to EUR 189 billion, deposits from other banks became LBBW's most important source of funding. In terms of volume, the next most important source as of the reporting date was securitized liabilities, which amounted to EUR 136 billion after growth of 7.1 %, or EUR 9 billion. The third source of funding for the LBBW Group, unchanged from year-end, was amounts due to customers. At the end of the second quarter of 2008, this figure also grew considerably by 10.7 %, or EUR 10 billion, to a total of EUR 107 billion.

The LBBW Group's capital.

The LBBW Group's capital (consolidated capital less net retained profit/loss, including hybrid capital, subordinated debt, and capital generated by profit participation rights) amounted to EUR 21.1 billion as of June 30, 2008, for a decrease of 2.3 %, or EUR 0.5 billion, compared to the year-end figure. An addition of hybrid capital totaling EUR 0.6 billion from the takeover of the former Sachsen LB positively affected the LBBW Group's capital. In contrast, the decline in the revaluation reserve by EUR 1.4 billion to EUR – 0.7 billion in particular reduced the LBBW Group's capital. A total of EUR 1.3 billion of this change was due to the decline in market value of available-for-sale securities portfolios and investments.

Risk Report.

The risk management methods and processes described in the Annual Report 2007 were generally applied again by the LBBW Group as of the reporting date of June 30, 2008. A summary of LBBW's definitions of the relevant risk categories is presented in the table below:

Risk category	Describes possible
Credit risks (including counterparty, issuer, settlement, and country risks)	... losses in value resulting from the default or credit rating deterioration of business partners. ... losses due to transfer problems with a business partner's country of domicile.
Market price risks	... losses in value resulting from changes in interest rates, credit spreads, stock prices, exchange rates, commodities prices, volatilities.
Operational risks	... losses due to the failure of internal processes, people, or systems, or due to external influences, including legal risks.
Liquidity risks	... problems meeting payment obligations in the short term or closing out larger market positions quickly.
Real estate risks	... losses in value of real estate holdings.
Investment risks	... losses in value of Group companies and equity investments to the extent that these are not included in the above risk categories.
Strategic risks	... losses due to strategic decisions.
Business risks	... losses due to less favorable business performance than expected.
Reputation risks	... losses due to damage to the Bank's reputation.

The three latter risks are not mathematically quantifiable like the other risk categories. However, LBBW considers these risks to be material and addresses them via risk buffers in the process of monitoring LBBW's risk-bearing capacity.

Credit Risks[1].

Securitization

The LBBW Group's portfolio includes only a minimal volume of loans directly associated with subprime products. For LBBW, the financial market crisis resulted in substantial declines in market value in its portfolio of securitized loans, which retains a strong level of ratings despite moderate ratings changes.

LBBW's securitization portfolio totals EUR 27.1 billion (EUR 6.1 billion of which is attributable to the former Sachsen LB); EUR 23.9 billion of this amount is accounted for by investments in ABS/MBS transactions. The remaining amount relates to customer transactions, as well as liquidity lines for fund investments. Seventy percent of the ABS/MBS investment portfolio is made up of issues rated AAA:

Securitization, June 30, 2008 (EUR Million)	AAA	AA	A	BBB	BB and lower	Default	Other	Total
CDO	5,671	1,630	1,101	864	274	6	56	9,601
synthetic	1,290	509	526	585	23	0	13	2,946
cash	4,380	1,121	575	279	251	6	43	6,656
of which CLO	2,174	126	84	13	0	0	7	2,404
of which CDO on ABS	547	872	340	70	226	6	6	2,067
of which other	1,659	123	150	197	25	0	30	2,184
RMBS	7,008	344	145	110	68	0	0	7,675
US	647	106	97	110	68	0	0	1,028
of which ALT-A	607	51	54	28	65	0	0	804
of which subprime	21	0	8	25	0	0	0	53
UK	1,667	122	18	0	0	0	0	1,807
of which non-conforming	545	42	0	0	0	0	0	587
Spain	1,723	34	10	0	0	0	0	1,766
Rest of world	2,971	82	21	0	0	0	0	3,073
CMBS	2,151	149	71	10	0	0	0	2,381
Other	2,023	1,531	221	217	214	0	85	4,290
Total investments	**16,853**	**3,654**	**1,537**	**1,200**	**556**	**6**	**141**	**23,947**

The lowest rating was used and the internal master scale was mapped to the S&P system.

The portfolio described above includes EUR 2.1 billion in transactions insured by monoliners; EUR 1.4 billion of this amount is attributable to primary market wraps and EUR 0.7 billion to secondary market wraps. Despite the downgrading by Moody's at the end of June 2008, over 80 % of these transactions continue to be rated single-A or better.

[1] The statements concerning the risk situation are presented based on the management approach. Differences between these figures and carrying amounts for accounting purposes occur for the reasons explained in the 2007 Risk Report.

The number of defaults in the portfolio of securitized products has been comparatively low to date. In the first six months of 2008, impairments on CDOs, SIVs and RMBSs totaling EUR 209 million were recognized.

In the first half of 2008, Sachsen LB was integrated into the LBBW Group. Even before the acquisition, off-balance sheet structured financing investments with a par value of EUR 17.3 billion were transferred to a newly formed Irish special-purpose entity (not consolidated). LBBW extended loans to this SPE amounting to EUR 8.64 billion. These are subordinated loans. A guarantee issued by the Free State of Saxony totaling EUR 2.75 billion bears the first loss in this case.

Risk Situation.

The LBBW Group's entire loan portfolio increased by EUR 37 billion as of the reporting date of June 30, 2008 due to the integration of the Sachsen LB Group. Adjusted for this effect, the maximum default risk changed only marginally.

Maximum Default Risk (EUR million)	June 30, 2008	Dec. 31, 2007
Cash reserve	369	12
Loans and receivables	271,287	258,676
of which loans and advances to other banks	125,280	131,858
of which loans and advances to customers	146,007	126,819
of which receivables from finance leases	4,793	3,284
Investment securities	87,065	82,974
of which interest-bearing assets	82,452	78,853
of which non-interest-bearing assets	4,613	4,121
Hedging derivatives	10,015	7,207
Trading assets	136,545	116,865
of which designated at fair value	6,674	4,474
of which held for trading	129,870	112,391
Irrevocable loan commitments/other agreements	67,216	68,381
Total	**572,496**	**534,115**

In the first six months, the quality of the portfolio improved slightly while the structure remained almost unchanged. The volume of the portfolio accounted for by investment-grade securities rose to 85.5% (+1%).

Maximum Default Risk by Rating* and Industry (EUR million) June 30, 2008	Investment Grade (AAA–BBB–)	Upper non-investment (BB+–B+)	Non-Investment (B–C)	Default	Other	Total
Financial institutions	309,262	3,832	647	316	5,893	319,949
Credit institutions	247,872	2,469	117	41	377	250,876
Financial services providers	61,390	1,362	530	275	5,516	69,073
Companies	116,620	27,689	4,287	3,051	19,526	171,174
Energy, utilities	14,637	1,192	24	16	577	16,445
Food, consumer goods, and durables	2,776	881	125	134	303	4,218
Chemicals, plastics	6,730	1,315	71	122	288	8,526
Metals, mechanical engineering	7,622	2,264	508	291	670	11,356
Auto manufacturing	10,498	658	56	54	82	11,348
Electrical engineering, communication, IT	4,144	890	261	48	367	5,710
Construction, housing	20,698	8,386	904	1,008	3,458	34,454
Retail/wholesale	7,517	2,240	223	262	1,018	11,260
Transportation, logistics	3,346	1,458	770	99	522	6,195
Media, entertainment	3,182	484	201	88	312	4,267
Services	20,477	6,217	571	770	5,439	33,474
Insurance	6,069	31	2	14	221	6,338
Other	8,925	1,673	572	144	6,269	17,583
Public sector	59,886	415	4	7	231	60,543
Private individuals	3,732	1,637	182	554	14,724	20,830
Total	**489,500**	**33,574**	**5,121**	**3,928**	**40,374**	**572,496**

* Internal master scale mapped to S&P system.

The percentage of the portfolio that is neither impaired nor past due remains very high at 99%.

Non-Impaired and Non-Past Due Assets

(EUR million)	Max. default risk as of June 30, 2008	Non-impaired and non-past due assets as of June 30, 2008	Max. default risk as of Dec. 31, 2007	Non-impaired and non-past due assets as of Dec. 31, 2007
Cash reserve	369	369	12	12
Loans and receivables	271,287	267,398	258,676	255,024
of which loans and advances to other banks	125,280	125,125	131,858	131,810
of which loans and advances to customers	146,007	142,274	126,819	123,214
of which receivables from finance leases	4,793	4,465	3,284	3,016
Investment securities	87,065	86,748	82,974	82,653
of which interest-bearing assets	82,452	82,183	78,853	78,577
of which non-interest bearing assets	4,613	4,566	4,121	4,076
Total*	**358,721**	**354,515**	**341,663**	**337,689**

*In the hedging derivatives and trading assets categories, no transactions are impaired or past due.

Past due commitments rose slightly to 0.17% (from 0.15%).

Past Due Assets June 30, 2008 (EUR million)	Total	< 1 mo.	> 1 – 3 mos.	> 3 – 6 mos.	> 6 – 9 mos.	> 9 – 12 mos.	> 12 mos.
Loans and receivables	907	366	208	76	43	16	198
of which loans and advances to other banks	153	78	47	15	3	0	10
of which loans and advances to customers	754	288	161	61	40	16	189
of which receivables from finance leases	136	62	35	10	18	1	10
Investment securities	71	24	48	0	0	0	0
of which interest-bearing assets	71	24	48	0	0	0	0
Total	**978**	**390**	**256**	**76**	**43**	**16**	**198**

Past Due Assets Dec. 31, 2007 (EUR million)	Total	< 1 mo.	> 1 – 3 mos.	> 3 – 6 mos.	> 6 – 9 mos.	> 9 – 12 mos.	> 12 mos.
Loans and receivables	719	351	147	50	10	37	124
of which loans and advances to other banks	45	10	23	0	1	0	10
of which loans and advances to customers	675	341	124	50	9	36	114
of which receivables from finance leases	119	68	21	16	1	1	11
Investment securities	63	25	38	0	0	0	0
of which interest-bearing assets	63	25	38	0	0	0	0
Total	**782**	**376**	**185**	**50**	**10**	**37**	**124**

The extent of impaired commitments remains very minimal and is down slightly relative to portfolio volume.

Impaired Assets (EUR million)	June 30, 2008	Dec. 31, 2007
Loans and receivables	2,980	2,933
of which loans and advances to other banks	2	4
of which loans and advances to customers	2,978	2,930
of which receivables from finance leases	191	149
Investment securities	246	259
of which interest-bearing assets	199	213
of which non-interest-bearing assets	47	45
Total	**3,226**	**3,192**

Market Price Risks.

In the first half of 2008, the portfolios of the former Sachsen LB were integrated into LBBW's centralized market price risk calculations, which is why the LBBW Group saw market price risk climb significantly. Another reason for the rise was the substantial increase in market volatility.

VaR (99% / 10 days) (EUR million)	Average	Max.	Min.	June 30, 2008	Dec. 28, 2007
LBBW Group	**427**	**604**	**204**	**577**	**219**

The table below illustrates the market price risk of LBBW in detail. Credit spread risks are included in the interest rate risk category.

VaR (99% / 10 days) (EUR million)	Average	Max.	Min.	June 30, 2008	Dec. 28, 2007
LBBW	**274**	**350**	**195**	**331**	**207**
Interest rate risks	268	344	190	325	206
Equity risks	27	60	21	23	25
Currency risks	11	22	3	22	6

The market price risk of LBBW's trading portfolio can be broken down as follows.
Here, too, the increase is primarily due to credit spread risks.

VaR (99% / 10 days) EUR million	Average	Max.	Min.	June 30, 2008	Dec. 28, 2007
Trading positions	**37**	**52**	**26**	**37**	**25**
Interest rate risks	30	44	18	29	20
Equity risks	15	28	11	14	15
Currency risks	4	12	0	1	0

Liquidity Risks.

As of June 30, 2008, available potential funding via central banks (ECB and the Fed), defined at LBBW as the liquidity reserve in the narrower sense, amounted to EUR 39 billion at LBBW and EUR 54 billion at the LBBW Group. This means that LBBW's solvency would be guaranteed for a period of more than three months even if LBBW did not conduct or extend any deposit operations whatsoever or enter into any lending transactions.

Despite the difficult situation on money and capital markets in the first half of 2008, the LBBW Group's liquidity requirements were always fulfilled via the market without LBBW having to dip into liquidity reserves. In this regard, the financial market crisis did not pose great difficulties for LBBW. The liquidity requirements defined in Principle II of the KWG (German Banking Act) were substantially exceeded at all times in the first six months of 2008.

As of June 30, 2008, LBBW's liquidity ratio according to the Liquiditätsverordnung (Liquidity Regulation) was 1.46 (December 31, 2007: 1.45), while LRP's ratio was 1.63 (December 31, 2007: 1.91). Changes in the liquidity situation occurred mainly because of the takeover of the former Sachsen LB.

Operational Risks.

The integration of additional Group companies into the operational risk control process continued. After the acquisition of Sachsen LB, LBBW's data collection methodology was expanded to include the new Sachsen Bank. This process is currently also being applied during the integration of Landesbank Rheinland-Pfalz.

Other Risks.

There are no material changes from the Risk Report in the 2007 Management Report.

Risk-bearing Capacity.

The internal monitoring of risk-bearing capacity within the meaning of the Internal Capital Adequacy Assessment Process (ICAAP) ensures the adequacy of the LBBW Group's capital by regularly comparing risks against the capital available to cover them.

The first half of 2008 saw an increase in the Group's reported risk based on economic capital, primarily due to the integration of the Sachsen LB Group and the widening of credit spreads, which are included in the calculation of credit VaR, among other things. LBBW's aggregate risk cover decreased to EUR 22.4 billion with 45 % utilized. Coverage was always available for the Bank's risk-bearing capacity.

LBBW Group	**Risk-bearing capacity**			
	as of June 30, 2008		as of Dec. 31, 2007	
(EUR million)	Absolute	Utilization	Absolute	Utilization
Aggregate risk cover	22,401	45 %	24,407	39 %
Max. economic capital limit	14,200	71 %	11,600	81 %
Economic capital	10,026		9,400	

Outlook.

Anticipated Economic Performance.

After seeing robust growth in 2007, the outlook for the global economy has recently darkened considerably. Despite the still-high rates of economic growth in emerging markets, the economy in the Eurozone is cooling noticeably, and, in LBBW's assessment, the United States has been in a recession since early 2008. In light of the existing over-supply on the US real estate market and the experience of real estate market crises in other countries, the continuing decline in prices is expected to put considerable downward pressure on the US economy until well into 2009. The emerging economies of South and East Asia and the oil-exporting states will probably not continue to post the growth rates seen in the previous year, but GDP growth should at least remain robust in these regions. On balance, LBBW believes that the global economy will grow at a rate of 3.6% in the current year (2007: 4.8%).

Germany is facing a series of strains on its economy. On the one hand, the marked cooling in the economies of key trading partners, such as the United States, the UK, Italy, Spain, and France, is causing exports to decline. On the other hand, high inflation rates reduce the purchasing power of private households. Sustained negative news coming from the US financial sector also heightens systemic risks in the world's largest economy. The resulting dangers for the global economy could also deepen the downturn in Germany. The difficulties facing the banking system and the resulting considerable increase in funding costs for banks as well as high liquidity premiums have not remained without consequences for the real economy. The market for corporate acquisitions in particular has dropped off sharply due to the developments described above. On the whole, the aforementioned downward pressures could put a damper on economic development in Germany and the Eurozone in the coming months. The ifo Business Climate Index, which recently stood at the same level as in 2005, also points to this conclusion. Thanks to the boost provided by strong overall economic activity in the first quarter of 2008, LBBW estimates that Germany's GDP will nonetheless grow by 2% in the current year.

The structural change in raw materials demand attributable to emerging markets is expected to keep import prices high in the industrialized nations and cause lasting price pressure due to rising unit labor costs. Against this backdrop, LBBW forecasts a further increase in yields on 10-year German federal government bonds in the coming months.

Industry and Competitive Situation.

The business environment in which banks operate is currently challenging. The continuing crisis on international financial markets and the slowdown in worldwide economic growth are clouding the situation and prospects of the banking sector.

The more difficult and costly funding situation for banks and write-downs resulting from financial market turbulence caused by the mortgage crisis in the US real estate market have already left deep marks on bank balance sheets. These developments are expected to have an adverse effect on the capital situation and results of operations of banks well beyond the first half of 2008. However, it should be noted that crisis-driven, non-permanent write-downs at banks also hold out the positive prospect of value recovery in the future.

A number of banks have already required recapitalization; additional recapitalization requirements could arise if the crisis continues. Moreover, banks are seeing their business opportunities and earnings prospects suffer in markets in sharp decline due to market upheavals not yet overcome, such as the market for corporate acquisitions.

The LBBW Group's Business Strategy and Opportunities.

As a bank operating in the international capital markets, LBBW was unable to fully escape the adverse effects of the financial market crisis. The general situation on money and capital markets continues to be strained. The LBBW Group was able to meet its liquidity requirements via the market at all times. Due to a still-conservative level of liquidity, the LBBW Group is confident that it is also well-prepared for the second half of 2008.

Consolidated profit in the first six months of 2008 was affected primarily by market price fluctuations. In contrast, the operational performance of our business with customers can be described as satisfactory for the year to date. Our business with corporate customers and sales activities as part of our capital market-oriented client business in particular contributed positively to this result.

LBBW will also be unable to escape the expected – still strained – situation in the banking sector, although LBBW expects earnings from business with customers to continue to grow. In addition, LBBW is looking forward to earnings growth in the corporate customer business and the Financial Markets segment's business with customers. However, competitive pressure has once again increased in the retail customer business and will continue to be a noticeable factor.

Due to the solid quality of the LBBW Group's securitization and credit default swap portfolios, a recovery of value is anticipated in the medium to long term. To the extent that market conditions allow, LBBW plans to incrementally roll back these investments.

For 2008 as a whole, LBBW expects the consolidated result to remain at approximately the same level as in the prior year – provided the financial market situation does not deteriorate significantly.

LBBW's customer-driven bank strategy, broadly diversified business model, and conservative business and risk policies will continue to shape the strategic positioning of the LBBW Group in the future. In terms of operations, boosting earnings and efficiency within the Group will continue to be a core objective. In addition to continually improving internal workflows and structures, the main goal is to continue to grow in promising regions by way of the existing business model and to expand the LBBW Group's position across Germany in selected business segments. During this process, organic as well as inorganic growth will both be considered as options in the future.

A key goal for the near future is to leverage the advantages and opportunities arising from the expansion of the Group through the acquisition and integration of Sachsen LB as well as the full legal and economic integration of Landesbank Rheinland-Pfalz. In addition to realizing cost synergies, our efforts will center on developing business and earnings potential in the Group's expanded business territory. Successfully developing the business activities of the regional retail banks Sachsen Bank and Rheinland-Pfalz Bank, which were established on April 1, 2008 and July 1, 2008 respectively, will be a key aim in this regard.

Consolidated Interim Financial Statements.

(not certified)

Consolidated Income Statement (not certified) for the Period January 1, 2008 to June 30, 2008 of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz.

	Notes	Jan. 1 – June 30, 2008 EUR million	Jan. 1 – June 30, 2007 EUR million	Change EUR million	Change %
Net interest income	7.	1,142	1,097	45	4.1
Allowance for losses on loans and advances	8.	23	– 115	138	–
Net interest income after allowance for losses on loans and advances		**1,165**	**982**	**183**	**18.6**
Net fee and commission income	9.	259	254	5	2.0
Net income/loss from hedging transactions	10.	– 55	6	– 61	–
Net trading income/loss	11.	– 339	37	– 376	–
Net income/loss from financial instruments designated at fair value	12.	– 73	20	– 93	–
Net income/loss from investment securities	13.	– 168	70	– 238	–
Net income/loss from investments accounted for using the equity method	14.	– 2	1	– 3	–
Net income from investment property	15.	67	54	13	24.1
Administrative expenses	16.	– 904	– 773	– 131	16.9
Other operating income/expense	17.	63	– 3	66	–
Net loss from profit and loss transfer agreements		– 1	– 1	0	0.0
Operating profit		**12**	**647**	**– 635**	**–98.1**
Restructuring expenses	18.	–76	– 7	–69	>100.0
Consolidated profit/loss before tax		**– 64**	**640**	**– 704**	**–**
Income tax	19.	– 80	–198	118	– 59.6
Consolidated loss (–)/consolidated profit (+)		**–144**	**442**	**– 586**	**–**
Profit attributable to minority interest after tax		10	0	10	–
Profit/loss attributable to shareholders after tax		–154	442	– 596	–
Consolidated loss (–)/consolidated profit (+)		**–144**	**442**	**– 586**	**–**

Consolidated Balance Sheet (not certified)
as of June 30, 2008 of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz.

	Notes	June 30, 2008 EUR million	Dec. 31, 2007* EUR million	Change EUR million	Change %
Assets					
Cash reserve		1,478	1,477	1	0.1
Loans and advances to other banks	20.	165,296	143,643	21,653	15.1
Loans and advances to customers	21.	147,647	146,408	1,239	0.8
Allowance for losses on loans and advances	22.	–1,813	–1,966	153	–7.8
Positive fair values from derivative hedging instruments	23.	8,280	5,002	3,278	65.5
Trading assets	24.	62,128	51,096	11,032	21.6
Financial assets designated at fair value	24.	8,881	5,372	3,509	65.3
Investment securities	24.	101,810	87,583	14,227	16.2
Investments accounted for using the equity method	25.	267	186	81	43.5
Portfolio hedge adjustment attributable to assets		–565	–396	–169	42.7
Intangible assets	26.	849	113	736	>100.0
Investment property	27.	1,650	1,636	14	0.9
Property and equipment		791	768	23	3.0
Current income tax assets		916	684	232	33.9
Deferred income tax assets		812	411	401	97.6
Other assets	28.	1,936	1,393	543	>100.0
Total assets		**500,363**	**443,410**	**56,953**	**12.8**

* See Note 3. for adjusted comparatives

Consolidated Balance Sheet (not certified)
as of June 30, 2008 of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz.

	Notes	June 30, 2008 EUR million	Dec. 31, 2007* EUR million	Change EUR million	Change %
Equity and Liabilities					
Deposits from other banks	29.	188,890	157,446	31,444	20.0
Due to customers	30.	106,729	96,451	10,278	10.7
Securitized liabilities	31.	135,905	126,874	9,031	7.1
Negative fair values from derivative hedging instruments	32.	8,947	5,501	3,446	62.6
Trading liabilities	33.	20,511	15,276	5,235	34.3
Financial liabilities designated at fair value	33.	15,394	17,220	–1,826	–10.6
Portfolio hedge adjustment attributable to liabilities		–1,044	–476	–568	>100.0
Provisions	34.	1,846	1,692	154	9.1
Current income tax liabilities		374	318	56	17.6
Deferred income tax liabilities		247	297	–50	–16.8
Other liabilities	35.	1,647	940	707	>100.0
Subordinated debt	36.	12,263	11,465	798	7.0
Equity	37.	8,654	10,406	–1,752	–16.8
Ordinary share capital	37.	1,420	1,420	0	0.0
Share premium	37.	3,074	3,074	0	0.0
Retained earnings	37.	5,041	4,847	194	4.0
Accumulated Income and expenses recognized directly in equity	37.	–758	650	–1,408	–
Consolidated net profit/loss	37.	–154	292	–446	–
Minority interest	37.	31	123	–92	–74.8
Total equity and liabilities		**500,363**	**443,410**	**56,953**	**12.8**

* See Note 3. for adjusted comparatives

Consolidated Statement of Recognized Income and Expense (not certified) for the Period January 1, 2008 to June 30, 2008 of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz.

		Attributable to		Total	Attributable to		Total
		Shareholders	Minority interest		Shareholders	Minority interest	
EUR million	Notes	Jan. 1 – June 30, 2008	Jan. 1 – June 30, 2008	Jan. 1 – June 30, 2008	Jan. 1 – June 30, 2007	Jan. 1 – June 30, 2007	Jan. 1 – June 30, 2007
Retained earnings							
Actuarial gains/losses		–8	0	–8	0	0	0
Net income recognized directly in equity							
Gains/losses from the remeasurement of available-for-sale financial instruments		–1,298	–13	–1,311	32	–7	25
Change from investments accounted for using the equity method		–3	0	–3	–12	0	–12
Gains/losses from the measurement of cash flow hedges		–1,325	0	–4	–4	0	–4
Currency translation differences		–12	0	–12	0	0	0
Income and expenses recognized directly in equity		**–1,325**	**–13**	**–1,338**	**16**	**–7**	**9**
Consolidated loss (–)/ consolidated profit (+)		–154	10	–144	442	0	442
Total recognized income and expense	37.	**–1,479**	**–3**	**–1,482**	**458**	**–7**	**451**

Consolidated Cash Flow Statement (not certified) for the Period January 1, 2008 to June 30, 2008 of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz.

	Jan. 1 – June 30, 2008 EUR million	Jan. 1 – June 30, 2007 EUR million
Cash and cash equivalents at start of period	**1,477**	**1,578**
Net cash from operating activities	1,575	56
Net cash used in investing activities	–386	–35
Net cash used in/from financing activities	–1,188	120
Cash and cash equivalents at end of period	**1,478**	**1,719**

The adjusted comparatives as of December 31, 2007 (see Note 3.) were used as a basis for the cash flow statement for the period January 1 to June 30, 2008.
The acquisition of Sachsen LB as of March 6, 2008 led to the transfer of cash and cash equivalents of EUR 19 million to the cash and cash equivalents of the LBBW Group.

Notes to the Consolidated Financial Statements (not certified) of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz.

1. Business and Organization.

Landesbank Baden-Württemberg (LBBW) is a public law institution (rechtsfähige Anstalt des öffentlichen Rechts) with registered offices in Stuttgart (Am Hauptbahnhof 2, 70173 Stuttgart, Germany), Karlsruhe (Ludwig-Erhard-Allee 4, 76131 Karlsruhe, Germany), Mannheim (Augustaanlage 33, 68165 Mannheim, Germany), and Mainz (Grosse Bleiche 54-56, 55116 Mainz, Germany). The LBBW Group is responsible for the full range of the Group's capital market activities from balance sheet and portfolio advising to developing financial market products to conducting trading and sales activities on the international capital markets, and provides services within the scope of its international operations. As the parent company of the Group, LBBW serves the Group's corporate customers in its own region, across Germany and around the world, along with institutional clients, public-sector institutions, and retail customers by offering the comprehensive range of services expected of a modern financial services provider. LBBW also functions as a central bank to the savings banks in Baden-Württemberg, Rhineland-Palatinate, and Saxony.

2. Basis of Accounting.

The interim financial statements of Landesbank Baden-Württemberg for the period ended June 30, 2008 were prepared for the first time in accordance with IAS 34 »Interim Financial Reporting« as applicable in the European Union and the supplementary provisions of German commercial law set out in §315a (1) Handelsgesetzbuch (HGB, German Commercial Code) in conjunction with § 37y No. 2 Wertpapierhandelsgesetz (WpHG, German Securities Trading Act). In accordance with § 37w WpHG, this Half-yearly Financial Report comprises condensed financial statements, an interim management report, and the responsibility statement.

3. Accounting Policies.

The consolidated interim financial statements for the period ended June 30, 2008 do not contain all the information and disclosures required for the consolidated annual financial statements and should therefore be read in conjunction with the consolidated financial statements for the period ended December 31, 2007 (2007 Annual Report, pages 135 et seq.). The accounting policies applied are generally the same as those used for the consolidated financial statements as of December 31, 2007.

The consolidated interim financial statements are prepared on a historical cost and fair value basis. Fair value is used in the case of investment property, investment securities classified as available-for-sale financial assets, derivative financial instruments, and financial assets and liabilities at fair value through profit or loss.

The classification of financial instruments required by IFRS 7.6 was defined for the LBBW Group as follows:

Assets

Assets carried at amortized cost

- Loans and advances to other banks
- Loans and advances to customers
- Investment securities
  - Interest-bearing assets
  - Non-interest-bearing assets [1]

Assets carried at fair value

- Investment securities
  - Interest-bearing assets
  - Non-interest-bearing assets
- Portfolio hedge adjustment attributable to assets
- Positive fair values from derivative hedging instruments
- Trading assets (held for trading)
- Financial assets designated at fair value

Liabilities

Liabilities carried at amortized cost

- Deposits from other banks
- Due to customers
- Securitized liabilities
- Subordinated debt

Liabilities carried at fair value

- Portfolio hedge adjustment attributable to liabilities
- Negative fair values from derivative hedging instruments
- Trading liabilities (held for trading)
- Financial liabilities designated at fair value

[1] Carried at cost.

If the requirements for hedge accounting in accordance with IAS 39.71 et seq. are met, a decision is made as to whether the hedging transaction will be accounted for as a fair value hedge or as a cash flow hedge. Fair value hedges serve to hedge the exposure to market price risk and related changes in fair value. They exist in the form of micro fair value hedges and portfolio fair value hedges.

According to IAS 39.89 (b), in a micro fair value hedge the carrying amount of the hedged item is adjusted for the gain or loss on the hedged item attributable to the hedged risk and recognized in profit or loss. This applies both to financial instruments carried at amortized cost (receivables and investment securities from the 'Loans and receivables' category, as well as liabilities from the 'Other liabilities' category) and to hedged items measured at fair value where changes in value are recognized in the revaluation reserve (available-for-sale financial instruments). Changes in the fair value of the hedged item not attributable to the hedged risk are accounted for in accordance with the guidance applicable to the relevant category. Since the start of 2008, both interest rate hedges and credit risk hedges have been presented as micro fair value hedges.

As a consequence of the business combination with the former Sachsen LB, customer accounts were capitalized and reported in the balance sheet under »Intangible assets«. The customer accounts recognized will be amortized on a straight-line basis over a period of six to 16 years.

Income and expenses are accrued. The tax rate resulting from the tax expense on the expected income for the full fiscal year is used to calculate income taxes for the consolidated interim financial statements.

Estimates, judgments, and assumptions are a necessary part of recognition and measurement under the IFRSs. The best possible estimates are made in conformity with the respective Standards. Estimates, judgments, and assumptions mainly relate to the calculation of the fair value of financial instruments and investment property, the value of assets, and calculation of the allowance for losses on loans and advances, as well as the recognition and measurement of deferred taxes and provisions.

Amounts were calculated in accordance with IFRS 3 as of the acquisition date of March 6, 2008 for the allocation of the costs incurred for the acquisition of Sachsen LB to assets, liabilities, and contingent liabilities (purchase price allocation). During the migration of Sachsen LB's data to LBBW thereafter, it was not possible to reflect the differences between these IFRS amounts and the migrated HGB amounts in the IT system. These differences were recorded manually for the relevant items and, where necessary, are rolled forward on balance sheet item level on the basis of appropriate assumptions.

The estimates, judgments, and assumptions are each based on the level of knowledge available currently about expected future business developments and trends in the global and sector-specific environment. Where actual values differ from the estimates made, the underlying assumptions and – if necessary – the carrying amounts of the relevant assets and liabilities are adjusted accordingly.

Changes in accordance with IAS 8

The condensed consolidated income statement for the first half of 2008 and 2007 contains a separate item for restructuring expenses in order to present a more detailed breakdown of expenses. In the 2007 fiscal year, restructuring expenses had been reported under »Other operating income/expense«.

Since the beginning of 2008, the credit investment business has been managed together with strategic trading operations as an independent business division and reported separately in the segment report. See Note 6. for more information.

The following issues were corrected in the first half of 2008 in accordance with IAS 8.42:

- Remeasurements of EUR –34.2 million for specific short-term foreign-currency OTC interest rate derivatives reported under trading assets were necessary at the end of 2007.
- A change in the calculation method gave rise to an adjustment in the elimination of intercompany profits of EUR 18 million reported under net interest income in the 2007 fiscal year.

Including an additional correction of EUR 4 million to »Loans and advances to customers«, these adjustments affected profit for the 2007 fiscal year and changes in equity for 2007 as follows:

Balance sheet as of December 31, 2007 (EUR million)	Published consolidated financial statements	Adjustment	Adjusted consolidated financial statements
Loans and advances to customers	146,394	14	146,408
Trading assets	51,130	–34	51,096
Deferred income tax assets	405	6	411
Equity, retained earnings	4,850	–3	4,847
Equity, net retained profit	303	–11	292

Income statement for 2007 (EUR million)	Published consolidated financial statements	Adjustment	Adjusted consolidated financial statements
Net interest income	2,127	18	2,145
Net trading loss	–568	–34	–602
Income tax	–36	5	–31
Consolidated profit for the period	311	–11	300

In the first half of 2007, the correction of the elimination of intercompany profits amounted to only EUR 6 million. In accordance with IAS 8.43, a correction was not made for the reporting period prior to the 2007 fiscal year for reasons of impracticability.
The change in the calculation method for the elimination of intercompany profits in accordance with IAS 8.39 (change in an accounting estimate) affected net interest income in the amount of EUR 19 million in 2008 fiscal year.

4. Basis of Consolidation.

In addition to the ultimate parent company LBBW, 19 subsidiaries (previous year: 12 subsidiaries), three sub-groups (previous year: four sub-groups), and 17 special-purpose entities (previous year: seven special-purpose entities) were included in the consolidated interim financial statements.

The following subsidiaries were consolidated for the first time in the first six months of 2008:
- LBBW US Real Estate Investment LLC
- EastMerchant GmbH
- Sachsen LB Europe plc.
- Zweite LBBW US Real Estate GmbH (formerly Sachsen US Real Estate GmbH)
- Sachsen LB Corporate Finance Holding GmbH
- Sachsen LB Verwaltungsgesellschaft mbH & Co. Logistikpark Plauen-Vogtland KG

LBBW Bank Ireland plc. is no longer reported as a sub-group due to the liquidation of its subsidiaries.
The following ten Special Purpose Entities (SPEs) were consolidated for the first time in the first half of 2008 pursuant to IAS 27 in conjunction with SIC 12:
- Kyma Grundstücksverwaltungsgesellschaft mbH & Co. Objekt Löhrs's Carré KG
- Georges Quay Funding I Limited
- SüdKA-SLA-Fonds
- Synapse Fixed Income Financial Capital Fund No. 1 plc.
- Synapse Long Short Credit Fund No. 1 plc.
- LAAM-Fonds I
- LAAM-Fonds II
- LAAM-Fonds VI
- LAAM-Fonds X
- LAAM-Fonds XI

With the consolidation of the aforementioned SPEs, all material risks arising from such entities were reflected in the consolidated interim financial statements of the LBBW Group.

LHI Leasing GmbH (joint venture) was consolidated at equity in LBBW's consolidated interim financial statements for the first time in the first half of 2008.

A total of 343 (2007: 278) subsidiaries were not included in the consolidated interim financial statements because their aggregate influence on the net assets, financial position, and results of operations of the LBBW Group is not significant. These mainly include property management companies and shelf companies.

In accordance with IAS 27.27, the former Landesbank Rheinland-Pfalz was included as a sub-group in the consolidated interim financial statements on the basis of the effective date May 31, 2008, taking significant transactions and other events until June 30, 2008 into account. This is a consequence of LRP's merger with LBBW as of July 1, 2008 with retroactive effect to January 1, 2008 and the migration of data since this date.

5. Business Combinations.

LBBW agreed to acquire Landesbank Sachsen AG pursuant to the foundation agreement dated August 26/27, 2007. Based on the foundation agreement, LBBW made an anticipated cash payment amounting to EUR 250.0 million to the shareholders of Landesbank Sachsen AG. In a framework paper dated December 13, 2007, the conditions precedent for the acquisition of Landesbank Sachsen AG and the purchase price of EUR 328 million were determined. At the acquisition date (March 6, 2008), LBBW acquired all the shares of Landesbank Sachsen AG from the Free State of Saxony and Sachsen-Finanzgruppe. LBBW was thereafter the sole shareholder of Landesbank Sachsen AG and had obtained control within the meaning of IAS 27.4.

As of April 1, 2008, Landesbank Sachsen AG was absorbed into LBBW by way of accrual, thereby losing its status as a legally independent entity. During this process, LBBW consolidated the former Sachsen LB's business serving small- and medium-sized companies and BW Bank's corporate client and high-net worth private client businesses in central Germany in Sachsen Bank, which was thereby established and renamed as of April 1, 2008 (Anstalt in der Anstalt (institution without a separate legal identity)). LBBW took over Sachsen LB's functions as a central bank to the savings banks in Saxony at the same time.

The allocation of the purchase price of EUR 584 million, which includes transaction costs of EUR 6 million, will be finalized in the second half of 2008.

The provisional goodwill arising from the acquisition can be attributed in part to the access obtained to the markets of Eastern Europe with their significant growth potential and also to the synergies anticipated in connection with the integration into LBBW's existing banking operations. Because the growth potential and synergies cannot be quantified reliably, no separate item is carried in the balance sheet. The allocation of goodwill to cash-generating units has not yet occurred due to the provisional nature of this goodwill as of June 30, 2008.

	Carrying amount* prior to the acquisition EUR million	Adjustments to fair value EUR million	Provisional fair value EUR million
Cash reserve	19	–	19
Loans and advances to other banks	17,342	113	17,455
Loans and advances to customers	14,935	276	15,211
Financial assets designated at fair value	2,419	– 160	2,259
Trading assets	2,224	242	2,466
Investment securities	26,165	– 276	25,889
Intangible asset	9	42	51
of which customer accounts	–	42	42
Miscellaneous other assets	230	–3	227
Liabilities	57,923	– 131	57,792
Trading liabilities	2,685	355	3,040
Provisions	127	– 80	47
Subordinated debt	1,450	133	1,583
Other liabilities	1,230	–22	1,208
Equity attributable to minority interest	3	18	21
Net debt acquired	–75	– 39	–114
Provisional goodwill			**698**
Purchase price			**584**

* These carrying amounts were calculated using local accounting principles due to the fact that the former Sachsen LB was no longer required to publish IFRS consolidated financial statements after it was absorbed into LBBW by way of accrual as of April 1, 2008.

The effects in accordance with IFRS 3.70 and IFRS 3.67 (i) are shown below:

	Operating income* EUR million	Net loss EUR million
Sachsen LB Jan. 1 – Mar. 6, 2008	–2	–181
Group Jan. 1 – June 30, 2008	1,064	–144
Pro forma Group Jan. 1 – June 30, 2008	1,062	–325

* Operating income includes net interest income, net fee and commission income, net income/loss from hedging transactions, net trading income/loss, net income/loss from financial instruments designated at fair value, net income from investment property, other operating income /expense.

The operating income and net loss between January 1 and March 6, 2008 are calculated on the basis of local accounting principles. Following the acquisition of Sachsen LB on March 6, 2008, the subsidiaries of Sachsen Bank included in the consolidated interim financial statements contributed EUR –38 million to the consolidated net profit/loss. Because the former Landesbank Sachsen AG's data was migrated to LBBW's systems incrementally, it is not possible to calculate this institution's contribution to earnings since acquisition separately.

The structured portfolios Ormond Quay and Sachsen Funding I were excluded from the acquisition by LBBW. With a business volume of EUR 17.3 billion, these portfolios were transferred to the newly established special-purpose entity Sealink Funding Ltd. To hedge defaults within the portfolios, the Free State of Saxony furnished a guarantee of EUR 2.75 billion. Defaults exceeding the guarantee provided by the Free State of Saxony, if any, will be charged to LBBW. LBBW currently holds the opinion that the guarantee by the Free State of Saxony is fully sufficient to cover the risks from the portfolios transferred. There was no obligation to include Sealink Funding Ltd. in LBBW's consolidated interim financial statements for the period ended June 30, 2008.

Segment Reporting.

6. Segment Reporting by Business Field.

Segment reporting serves to provide information about the development of results in the individual areas of business within the LBBW Group. The business segments are defined as product and customer groups based on the Group's internal organizational structures. The segment results are based on the internal financial control data documented by Controlling and external data from the half-yearly financial statements. Segment reporting in the LBBW Group is prepared in accordance with the provisions of IAS 14.

Since the beginning of 2008, the credit investment business has been managed together with strategic trading operations as an independent business division and reported separately in the segment report. Prior-year figures were restated to improve comparability.

Segment reporting at LBBW is divided into the following segments:

- The Corporates segment includes business transactions with medium-sized corporate customers, business customers, key accounts, real estate companies, the international business, and loan transactions with the public sector. Besides traditional commercial banking, this also includes investment banking and other specialized product areas such as leasing, factoring, or the equity investment business.
- The Retail Clients segment comprises all activities involving retail, investment, and private banking customers, as well as the business activities connected with the Bank's function as the central bank for savings banks.
- Apart from traditional trading operations, the Financial Markets segment also includes all sales activities with credit institutions, sovereigns, insurance companies, and pension funds. The Corporates segment includes all results from financial market transactions with corporate customers. Funding is also included in this segment.
- In addition to the contribution to earnings from strategic trading operations, the Credit Investment Portfolio/Treasury segment mainly comprises the Group-wide credit substitute business, which is managed by the Credit Investment committee under the direction of the Board of Managing Directors.
- The Corporate Items segment includes all business activities not included in the operating segments. This notably consists of equity investments not included in the consolidated financial statements, and the income generated from central investment of LBBW's own funds, to the extent that this is not assigned to other segments.
- The Other/Consolidation column covers pure consolidation issues. In addition, this segment presents a reconciliation of internal financial control data to external reporting data.

The methods used to calculate the information presented are the same as in the segment reporting at the end of 2007. The calculation of equity tied up was converted in 2008 for the first time from Grundsatz I, Kreditwesengesetz (Principle I, German Banking Act) in line with banking supervision requirements to the Solvabilitätsverordnung (German Solvency Regulation).

The acquisition and integration of the former Sachsen LB into the LBBW Group in 2008 is reflected in the segment reporting.

EUR million	Corporates		Retail Clients		Financial Markets		Credit Investment Portfolio/ Treasury		Corporate Items		Other/ Consolidation		LBBW Group	
	Jan. 1 – June 30, 2008	Jan. 1 – June 30, 2007	Jan. 1 – June 30, 2008	Jan. 1 – June 30, 2007	Jan. 1 – June 30, 2008	Jan. 1 – June 30, 2007	Jan. 1 – June 30, 2008	Jan. 1 – June 30, 2007	Jan. 1 – June 30, 2008	Jan. 1 – June 30, 2007	Jan. 1 – June 30, 2008	Jan. 1 – June 30, 2007	Jan. 1 – June 30, 2008	Jan. 1 – June 30, 2007
Net interest income	501	425	192	199	105	76	98	134	15	111	230	153	1,142	1,097
Net fee and commission income	147	119	115	133	48	40	1	4	0	4	–52	–45	259	254
Net trading income/loss [1]	–5	7	0	0	307	192	–546	41	0	3	–224	–180	–467	63
Other operating income/expenses [2]	102	65	0	1	–9	–3	27	21	26	–10	–16	–24	130	51
Total operating income/loss	**745**	**616**	**307**	**333**	**452**	**305**	**–419**	**199**	**41**	**108**	**–61**	**–96**	**1,064**	**1,465**
Administrative expenses	–298	–267	–241	–233	–157	–137	–53	–44	–146	–96	–9	5	–904	–773
Allowances for losses on loans and advances	31	–32	18	–40	2	–8	–2	–1	–31	–36	5	2	23	–115
Net income/loss from investment securities and other items [3]	–23	83	0	0	–1	5	–120	21	–10	–19	–17	–21	–171	70
Operating profit/loss	**454**	**400**	**84**	**60**	**296**	**165**	**–594**	**175**	**–146**	**–43**	**–82**	**–109**	**12**	**647**
Restructuring expenses	0	0	0	0	0	0	0	0	–76	–7	0	0	–76	–7
Profit/loss before tax	**454**	**400**	**84**	**60**	**296**	**165**	**–594**	**175**	**–222**	**–50**	**–82**	**–109**	**–64**	**640**
Tied-up equity	**3,392**	**3,225**	**736**	**877**	**1,582**	**1,943**	**1,981**	**1,729**	**1,944**	**1,350**	**–17**	**177**	**9,619**	**9,300**
Return on equity (in %) [4]	**26.8 %**	**24.8 %**	**22.8 %**	**13.6 %**	**37.5 %**	**17.0 %**							**0.3 %**	**13.9 %**
Cost/income ratio (in %)	**40.0 %**	**43.3 %**	**78.5 %**	**70.1 %**	**34.7 %**	**45.0 %**							**84.9 %**	**52.8 %**

1) The net income/loss from hedging transactions and the net income/loss from financial instruments designated at fair value are stated as part of net trading income/loss.
2) The net income/loss from investment property is reported as part of other operating income/loss.
3) Includes the following income statement items: net income/loss from investment securities, net income/loss from profit/loss transfer agreements, and net income/loss from investments accounted for using the equity method.
4) Not including restructuring expenses. Annualized.

Notes to the Income Statement.

7. Net Interest Income.

	Jan. 1 – June 30, 2008 EUR million	Jan. 1 – June 30, 2007 EUR million
Interest income/expense from operating activities	1,021	948
Current income	109	115
Early termination fees	14	34
Income from profit transfer/expenses from loss absorption	– 2	0
Net interest income	**1,142**	**1,097**

The increase in expenses for liquidity and funding resulting from the crisis on the financial markets and higher CDS hedging costs for selected loan portfolios were more than offset by earnings growth. The decline in non-recurring income from early repayment of funding facilities (early termination fees) had a dampening effect on net interest income.

Interest income/expense from operating activities includes income of EUR 77 million (H1 2007: EUR 5 million) and expenses of EUR – 18 million (H1 2007: EUR – 5 million) from the buyback of own bonds.

8. Allowance for Losses on Loans and Advances.

	Jan. 1 – June 30, 2008 EUR million	Jan. 1 – June 30, 2007 EUR million
Net reversals/additions including provisions for credit risks	31	– 108
Direct loan write-offs	– 29	– 11
Recoveries on loans previously written off	7	6
Other income/expenses from lending operations	14	– 2
Total allowance for losses on loans and advances	**23**	**– 115**

The allowance for losses on loans and advances was EUR 138 million lower than in the first six months of 2007. A net reversal of EUR 23 million resulted for this item as of the reporting date of June 30, 2008. A key factor in this regard was the continued positive influence of the healthy economic environment in LBBW's core market, as well as the excellent quality of the loan portfolio and unchanged conservative risk policy.

9. Net Fee and Commission Income.

	Jan. 1 – June 30, 2008 EUR million	Jan. 1 – June 30, 2007 EUR million
Payments and international transactions	65	61
Securities and custody business	57	77
Lending and guarantee (aval) business	53	45
Brokerage business	46	42
Trust activities	4	6
Leasing	– 1	– 2
Other	35	25
Net fee and commission income	**259**	**254**

10. Net Income/Loss from Hedging Transactions.

	Jan. 1 – June 30, 2008 EUR million	Jan. 1 – June 30, 2007 EUR million
Portfolio fair value hedges	–49	–20
Micro fair value hedges	–6	26
Net income/loss from hedging transactions	**–55**	**6**

11. Net Trading Income/Loss.

	Jan. 1 – June 30, 2008 EUR million	Jan. 1 – June 30, 2007 EUR million
Net income from equity transactions	89	40
Net income/loss from economic hedging derivatives	56	–55
Net income from foreign exchange transactions	38	32
Net income/loss from interest rate transactions	–195	2
Net income/loss from credit risk-related transactions	–327	18
Net trading income/loss	**–339**	**37**

The net income from economic hedging derivatives includes, among other things, the net gain/loss from the measurement of derivative financial instruments, particularly of OTC interest rate derivatives that are not assigned to the trading book and do not qualify for hedge accounting.

»Net loss from credit risk-related transactions« in the first six months of 2008 includes measurement losses from credit default swaps totaling EUR –214 million as well as fair value losses from the reporting of spread widening related to structured securities totaling EUR –113 million.

12. Net Income/Loss from Financial Instruments Designated at Fair Value.

	Jan. 1 – June 30, 2008 EUR million	Jan. 1 – June 30, 2007 EUR million
Realized losses	–18	–7
Unrealized gains/losses	–55	27
Net income/loss from financial instruments designated at fair value	**–73**	**20**

Unrealized net income from financial instruments designated at fair value declined as a result of the financial market crisis. This was offset in part by net income of EUR 56 million from the measurement of LBBW’s own credit rating.

13. Net Income/Loss from Investment Securities.

	Jan. 1 – June 30, 2008 EUR million	Jan. 1 – June 30, 2007 EUR million
Net gain on disposal (AfS)	59	68
Remeasurement losses (AfS)	–171	–4
Net income/loss from investment securities (AfS)	–112	64
Net gain on disposal (LaR)	27	6
Remeasurement losses (LaR)	–83	0
Net income/loss from investment securities (LaR)	–56	6
Total net income/loss from investment securities	**–168**	**70**

»Net income/loss from investment securities (AfS)« includes an amount of EUR 8 million withdrawn from equity and allocated to the income statement.

The net loss from investment securities includes impairment losses on securities classified as AfS and LaR amounting to EUR –231 million as well as impairment losses on equity investments categorized as AfS amounting to EUR –23 million.

14. Net Income/Loss from Investments Accounted for Using the Equity Method.

	Jan. 1 – June 30, 2008 EUR million	Jan. 1 – June 30, 2007 EUR million
Income from accounting using the equity method	4	1
Expenses from accounting using the equity method	–6	0
Net income/loss from investments accounted for using the equity method	**–2**	**1**

15. Net Income from Investment Property.

	Jan. 1 – June 30, 2008 EUR million	Jan. 1 – June 30, 2007 EUR million
Income from investment property	80	74
Expenses from investment property	–15	–20
Income from fair value adjustments	2	0
Net income from investment property	**67**	**54**

16. Administrative Expenses.

	Jan. 1 – June 30, 2008 EUR million	Jan. 1 – June 30, 2007 EUR million
Total staff costs	– 541	– 471
Total other administrative expenses	– 298	– 244
Depreciation and write-downs of property and equipment	– 35	– 34
Amortization and write-downs of intangible assets	– 30	– 24
Depreciation, amortization, and write-downs	**– 65**	**– 58**
Total administrative expenses	**– 904**	**– 773**

The increase in administrative expenses is due in part to the accrual of Sachsen Bank and also to the consolidation of subsidiaries connected to former Sachsen LB. Administrative expenses also rose due to the employment of new staff in growth areas and the required additions to the provisions for pensions in connection with the upcoming conclusion of a new collective wage agreement for the banking industry.

17. Other Operating Income.

	Jan. 1 – June 30, 2008 EUR million	Jan. 1 – June 30, 2007 EUR million
Total other operating income	215	112
Total other operating expenses	– 152	– 115
Net other operating income/expenses	**63**	**– 3**

The increase in other operating income and expenses is primarily due to the recognition of income from the completion of a large construction project (EUR 18 million; H1 2007: EUR – 2 million) and to higher income from management of properties for sale (EUR 11 million; H1 2007: EUR – 1 million).

18. Restructuring Expenses.

The increase in restructuring expenses by EUR – 69 million to EUR – 76 million is attributable to the integration of the former Sachsen LB and the former Landesbank Rheinland-Pfalz (LRP). This item includes expenses for related human resources measures and IT migration in particular.

19. Income Taxes

The total tax expense for the period ending June 30, 2008 amounted to EUR –46 million (H1 2007: EUR –183.7 million). The total tax expense fell by 59.6% or EUR 118 million to EUR –80 million. A large part of the tax expense incurred in the first half of 2008 was attributable to the mainly merger-–related extraordinary factor resulting from the non-recurrence of previously capitalized loss carryforwards of EUR –76 million. Adjusted for this extraordinary factor, the Group's effective average tax rate is 46.8%. Operating activities gave rise to a positive effect in the first half of 2008 from the recognition of tax-free situations (tax income of EUR 31 million from tax-free dividend income) as well as an offsetting effect from the recognition of non-deductible operating expenses in the form of write-downs to the going concern value for tax purposes (Teilwertabschreibung) on liquidity reserves (tax expense of EUR –44 million).

Notes to the Balance Sheet.

20. Loans and Advances to Other Banks.

	June 30, 2008 EUR million	Dec. 31, 2007 EUR million
Borrower's note loans	46,557	44,832
Money market transactions	38,369	48,180
Securities repurchase agreements	29,955	18,400
Other loans	19,612	8,118
Public-sector loans	11,814	11,449
Transmitted loans	10,570	9,961
Other loans and advances	8,419	2,703
Loans and advances to other banks	**165,296**	**143,643**
Allowance for losses on loans on loans and advances	–16	–15
Loans and advances to other banks after allowance for losses	**165,280**	**143,628**

The expansion of business activities increased the portfolio of securities repurchase agreements as of June 30, 2008.

The increase in other loans is mainly attributable to the acquisition of the former Sachsen LB.

Loans and advances to other banks comprise the provision of collateral in connection with the funding of LAAM-Fonds I, II, and XI amounting to EUR 270 million.

21. Loans and Advances to Customers.

	June 30, 2008 EUR million	Dec. 31, 2007 EUR million
Other loans	49,502	41,879
Public-sector loans	30,226	25,358
Construction financing	15,696	14,034
Money market transactions	14,676	20,174
Mortgage loans	12,624	9,886
Borrower's note loans	6,834	6,054
Receivables from finance leases	4,343	4,546
Transmitted loans	3,793	3,031
Giro receivables	3,614	3,034
Other loans and advances	6,339	18,412
Loans and advances to customers	**147,647**	**146,408**
Allowance for losses on loans and advances	–1,797	–1,951
Loans and advances to customers after allowance for losses	**145,850**	**144,457**

The increase in other loans is mainly attributable to loans of EUR 8.6 billion to Sealink Funding Ltd.

22. Allowance for Losses on Loans and Advances.

	Specific/collective valuation allowance		Portfolio valuation allowance	
EUR million	Loans and advances to other banks	Loans and advances to customers	Loans and advances to other banks	Loans and advances to customers
Balance at Jan. 1, 2008	0	1,633	15	318
Net additions(+)/reversals(–)	0	–27	1	–39
Utilization	0	–89	0	0
Exchange-rate-related and other changes	0	–23	0	24
Balance at June 30, 2008	0	1,494	16	303
Balance at Jan. 1, 2007	2	1,869	3	283
Net additions(+)/reversals(–)	–2	169	1	–15
Utilization	0	–331	0	–4
Exchange-rate-related and other changes	0	–74	11	54
Balance at Dec. 31, 2007	0	1,633	15	318

23. Positive Fair Values from Derivative Hedging Instruments.

	June 30, 2008 EUR million	Dec. 31, 2007 EUR million
Positive fair values from portfolio fair value hedges	6,043	3,468
Positive fair values from micro fair value hedges	2,235	1,531
Positive fair values from cash flow hedges	2	3
Positive fair values from derivative hedging instruments	**8,280**	**5,002**

24. Trading Assets, Financial Assets Designated at Fair Value, and Investment Securities.

June 30, 2008

EUR million	Trading assets	Financial assets designated at fair value	Investment securities
Bonds and other fixed-income securities	44,438	5,324	97,882
Money market instruments	28,679	0	1,534
Bonds and debentures	15,759	5,324	96,348
Equities and other non-fixed-income securities	814	1,379	117
Equities	309	753	6
Investment units	497	617	104
Other securities	8	9	7
Other	1,801	1,228	0
Borrower's note loans	1,764	697	0
Precious metals	37	0	0
Other loans and receivables	0	25	0
Miscellaneous	0	506	0
Positive fair values from derivative financial instruments	15,075	950	0
Equity investments	0	0	2,763
Investments in affiliates	0	0	1,048
	62,128	**8,881**	**101,810**

December 31, 2007

EUR million	Trading assets	Financial assets designated at fair value	Investment securities
Bonds and other fixed-income securities	34,653	2,093	83,699
Money market instruments	20,506	0	2,729
Bonds and debentures	14,147	2,093	80,970
Equities and other non-fixed-income securities	1,335	953	157
Equities	369	894	7
Investment units	946	54	81
Other securities	20	5	69
Other	2,721	1,284	0
Borrower's note loans	2,705	708	0
Precious metals	16	0	0
Other loans and receivables	0	26	0
Miscellaneous	0	550	0
Positive fair values from derivative financial instruments	12,387	1,042	0
Equity investments	0	0	2,708
Investments in affiliates	0	0	1,019
	51,096	**5,372**	**87,583**

The increase in financial assets designated at fair value and investment securities is principally due to the acquisition of Sachsen LB, which was completed on March 6, 2008, and the consolidation of subsidiaries and special-purpose entities connected to Sachsen LB. The change in trading assets is largely attributable to the increase in commercial papers.

25. Investments Accounted for Using the Equity Method.

	June 30, 2008 EUR million	Dec. 31, 2007 EUR million
Carrying amount of associates	182	180
Carrying amount of joint ventures	47	0
Goodwill from investments accounted for using the equity method	38	6
Shares in investments accounted for using the equity method	**267**	**186**

Due to the first-time consolidation of LHI Leasing GmbH, the share of investments accounted for using the equity method rose by EUR 79 million as of June 30, 2008.

The following table presents the aggregate assets, liabilities, revenues, and profits and/or losses for the period of the associates and joint ventures accounted for using the equity method.

	Other associates June 30, 2008 EUR million	Other associates Dec. 31, 2007 EUR million	of which Sachsen LB AG [1)] Dec. 31, 2007 EUR million
Total assets	778	62,762	62,095
Total liabilities	331	60,946	60,677
Total equity	447	1,816	1,418
Revenues	52	5,535	5,492
Profit (+) or loss (–) for the period	– 5	11	0

[1] Sachsen LB figures prepared in accordance with the German Commercial Code (HGB).

The acquisition of all shares in Landesbank Sachsen AG on March 6, 2008 turned this associate into a subsidiary. This company lost its status as a legally independent institution on its absorption into LBBW by way of accrual as of April 1, 2008.

26. Intangible Assets.

	June 30, 2008 EUR million	Dec. 31, 2007 EUR million
Goodwill	715	17
Purchased software	62	55
Internally developed software	20	23
Other intangible assets	52	18
Total intangible assets	**849**	**113**

The acquisition of Sachsen LB as of March 6, 2008 led to provisional goodwill of EUR 698 million. In addition, related customer accounts in the amount of EUR 42 million were capitalized in intangible assets.

27. Investment Property.

	June 30, 2008 EUR million	Dec. 31, 2007 EUR million
Balance as of Jan. 1, 2008/Jan. 1, 2007	1,636	1,652
Additions	7	43
Additions from business combinations	9	0
Disposals	–14	–86
Transfers	0	11
Write-downs	0	–12
Changes in fair value	12	28
Carrying amount of investment property	**1,650**	**1,636**

28. Other Assets.

	June 30, 2008 EUR million	Dec. 31, 2007 EUR million
Inventories	1,003	871
Receivables from tax authorities	30	16
Prepaid expenses	28	16
Other	875	490
Total other assets	**1,936**	**1,393**

29. Deposits from Other Banks.

	June 30, 2008 EUR million	Dec. 31, 2007 EUR million
Money market transactions	68,724	67,668
Securities repurchase agreements	45,104	26,231
Borrower’s note loans	15,838	11,756
Öffentliche Namenspfandbriefe (public-sector registered covered bonds) issued	8,121	7,462
Giro liabilities	2,054	801
Hypotheken-Namenspfandbriefe (mortgage-backed registered covered bonds) issued	985	1,121
Other deposits from other banks	48,064	42,407
Total deposits from other banks	**188,890**	**157,446**

The increase in securities repurchase agreements is mainly due to the acquisition of the former Sachsen LB and the consolidation of subsidiaries and special-purpose entities connected to the former Sachsen LB as well as to the expansion of business activities.

30. Amounts due to Customers.

	June 30, 2008 EUR million	Dec. 31, 2007 EUR million
Money market transactions	28,424	26,895
Öffentliche Namenspfandbriefe (public-sector registered covered bonds) issued	17,714	15,181
Borrower's note loans	14,053	18,581
Giro liabilities	11,835	10,903
Savings deposits	5,338	5,709
Hypotheken-Namenspfandbriefe (mortgage-backed registered covered bonds) issued	1,861	1,818
Other amounts due to customers	27,504	17,364
Total amounts due to customers	**106,729**	**96,451**

31. Securitized Liabilities.

	June 30, 2008 EUR million	Dec. 31, 2007 EUR million
Pfandbriefe (covered bonds)	60,168	55,282
Other bonds	59,823	50,028
Money market instruments	8,527	13,620
Other securitized liabilities	7,387	7,944
Total securitized liabilities	**135,905**	**126,874**

The larger portfolio of Pfandbriefe (covered bonds) and other bonds as of June 30, 2008 is primarily attributable to the acquisition of Sachsen LB completed on March 6, 2008 and to the consolidation of subsidiaries and special-purpose entities connected to Sachsen LB.

The portfolio of money market instruments decreased in the first half of 2008 as a result of the current market situation.

In accordance with IAS 39, the own bonds held by the LBBW Group amounting to a nominal EUR 6,289 million were deducted from the bonds issued.

In the first six months of 2008, there were issues (including money market instruments) of EUR 113,015 million (H1 2007: EUR 68,611 million). Between January 1 and June 30, 2008, bonds and money market instruments amounting to EUR 53,272 million (H1 2007: EUR 71,062 million) were repaid in the LBBW Group.

32. Negative Fair Values from Derivative Hedging Instruments.

	June 30, 2008 EUR million	Dec. 31, 2007 EUR million
Negative fair values from portfolio fair value hedges	6,305	3,378
Negative fair values from micro fair value hedges	2,627	2,113
Negative fair values from cash flow hedges	15	10
Negative fair values from derivative hedging instruments	**8,947**	**5,501**

33. Trading Liabilities and Financial Liabilities Designated at Fair Value.

	Trading liabilities		Financial liabilities designated at fair value	
	June 30, 2008 EUR million	Dec. 31, 2007 EUR million	June 30, 2008 EUR million	Dec. 31, 2007 EUR million
Negative fair values from derivative financial instruments	16,269	13,251	965	758
Delivery obligations from short sales of securities	2,093	1,256	0	0
Securitized liabilities	–	–	9,430	10,633
Borrower's note loans	–	–	3,546	3,685
Other financial liabilities	2,149	769	1,453	2,144
	20,511	**15,276**	**15,394**	**17,220**

34. Provisions.

	June 30, 2008 EUR million	Dec. 31, 2007 EUR million
Provisions for pensions	1,363	1,305
Provisions for credit risks	198	150
Other personnel-related provisions	158	167
Other provisions	127	70
Provisions	**1,846**	**1,692**

As of June 30, 2008, »Other provisions« includes provisions of EUR 50 million for restructuring expenses.

35. Other Liabilities.

	June 30, 2008 EUR million	Dec. 31, 2007 EUR million
Liabilities from other taxes	97	150
Trade payables	70	58
Deferred income	62	51
Liabilities from leasing	21	0
Other	1,397	681
Other liabilities	**1,647**	**940**

36. Subordinated Debt.

	June 30, 2008 EUR million	Dec. 31, 2007 EUR million
Subordinated liabilities	5,452	5,395
Capital generated by profit-participation certificates	2,318	2,125
Typical silent partners' contributions	4,493	3,945
Total subordinated debt	**12,263**	**11,465**

In accordance with the provision of IAS 32, the silent partners' contributions recognized as liable capital for regulatory purposes and in the Kreditwesengesetz (German Banking Act) are reported as debt on account of the existence of a contractual right of termination.

37. Equity.

				Net income recognized directly in equity						
EUR million	Ordinary share capital	Share premium	Retained earnings	Revaluation reserve for AfS financial instruments	Revaluation reserve for investments accounted for using the equity method	Measurement gain/loss from cash flow hedges	Currency translation reserve	Net retained profit/net accumulated losses	Minority interest	**Total**
Equity at Jan. 1, 2007	**1,420**	**3,074**	**3,864**	**973**	**0**	**-6**	**0**	**926**	**103**	**10,354**
Adjustments in accordance with IAS 8	0	0	-2	0	0	0	0	0	0	-2
Balance brought forward	0	0	926	0	0	0	0	-926	0	0
Distribution to shareholders	0	0	-89	0	0	0	0	0	0	-89
Changes in the basis of consolidation	0	0	10	-50	82	0	0	0	0	43
Total recognized income and expense	0	0	0	32	-12	-4	0	442	-7	451
Equity at June 30, 2007	**1,420**	**3,074**	**4,709**	**955**	**70**	**-10**	**0**	**442**	**96**	**10,756**
Adjustments in accordance with IAS 8	0	0	-1	0	0	0	0	-11	0	-12
Changes in the basis of consolidation	0	0	10	-10	4	0	0	0	23	27
Total recognized income and expense	0	0	129	-351	-5	3	-6	-139	4	-365
Equity at Dec. 31, 2007	**1,420**	**3,074**	**4,847**	**594**	**69**	**-7**	**-6**	**292**	**123**	**10,406**
Balance brought forward	0	0	292	0	0	0	0	-292	0	0
Distribution to shareholders	0	0	-90	0	0	0	0	0	-2	-92
Changes in the basis of consolidation	0	0	0	-91	0	0	0	0	-87	-178
Total recognized income and expense	0	0	-8	-1,298	-3	-4	-12	-154	-3	-1,482
Equity at June 30, 2008	**1,420**	**3,074**	**5,041**	**-795**	**66**	**-11**	**-18**	**-154**	**31**	**8,654**

Additional information on the adjustments in accordance with IAS 8 is outlined in Note 3.

The decrease in minority interest is primarily due to the fact that in the first half of 2008 a subsidiary of LBBW bought back own shares from a minority shareholder in the amount of EUR 96 million.

38. Fair Value of Financial Instruments.

The fair value of assets and liabilities designated at fair value was measured using the following methods:

Fair value-volume	Quoted market price		Measurement method – indicative prices or externally observable parameters		Measurement method – in some cases no externally observable parameters	
June 30, 2008	EUR million	%	EUR million	%	EUR million	%
Positive fair values from derivative hedging instruments	0	0 %	8,280	11 %	0	0 %
Trading assets	15,669	19 %	45,137	58 %	1,322	11 %
Financial assets designated at fair value	2,895	4 %	5 765	7 %	221	2 %
Investment securities (AfS)	62,125	77 %	19,230	24 %	10,543	87 %
Total assets	**80,689**	**100 %**	**78,412**	**100 %**	**12,086**	**100 %**
Negative fair values from derivative hedging instruments	0	0 %	8,947	24 %	0	0 %
Trading liabilities	5,757	92 %	14,238	37 %	516	95 %
Financial liabilities designated at fair value	488	8 %	14,876	39 %	30	5 %
Total liabilities	**6,245**	**100 %**	**38,061**	**100 %**	**546**	**100 %**

Fair value-volume	Quoted market price		Measurement method – indicative prices or externally observable parameters		Measurement method – in some cases no externally observable parameters	
Dec. 31, 2007	EUR million	%	EUR million	%	EUR million	%
Positive fair values from derivative hedging instruments	0	0 %	5,002	7 %	0	0 %
Trading assets	11,463	19 %	38,153	54 %	1,480	9 %
Financial assets designated at fair value	1,740	3 %	2,938	4 %	694	4 %
Investment securities (AfS)	47,134	78 %	24,600	35 %	14,658	87 %
Total assets	**60,337**	**100 %**	**70,693**	**100 %**	**16,832**	**100 %**
Negative fair values from derivative hedging instruments	0	0 %	5,500	16 %	1	0 %
Trading liabilities	1,946	79 %	13,113	37 %	217	93 %
Financial liabilities designated at fair value	504	21 %	16,699	47 %	17	7 %
Total liabilities	**2,450**	**100 %**	**35,312**	**100 %**	**235**	**100 %**

The »Measurement method – indicative prices or externally observable parameters« column includes commercial papers measured using models and most of the securitized products measured at fair value based on indicative prices. The latter securitized products are also shown in the »Measurement method – in some cases no externally observable parameters« column.

Information on Derivative Transactions.

June 30, 2008 EUR million	Nominal values Remaining maturity Up to 3 months	 Between 3 months and 1 year	 Between 1 and 5 years	 More than 5 years	 Total	Fair value Positive	 Negative
Currency forwards	113,330	49,161	4,369	262	167,122	2,366	2,044
Currency options	8,485	4,360	4,152	148	17,145	222	195
Cross-currency interest rate swaps	670	7,356	12,557	8,240	28,823	1,991	3,061
Currency-related derivatives	**122,485**	**60,877**	**21,078**	**8,650**	**213 090**	**4,579**	**5,300**
Forward rate agreements	103,299	52,191	411	0	155,901	151	136
Interest rate swaps	188,597	243,311	387,369	335 881	1,155,158	15,423	15,550
Interest rate options	4,798	13,693	26,958	30,229	75,678	781	1,069
Caps/floors/collars	1,463	5,771	22,628	13,756	43,618	314	286
Other interest rate contracts	1,425	–263	–47	138	1,253	10	4
Exchange-traded interest rate products	28,541	27,303	5,361	0	61,205	73	24
Interest rate-related derivatives	**328,123**	**342,006**	**442,680**	**380,004**	**1,492,813**	**16,752**	**17,069**
Credit derivatives	**2,072**	**7,068**	**65,316**	**27,137**	**101 593**	**1,788**	**2,257**
Exchange-traded equity and index products	3,340	7,326	1,324	290	12,280	400	567
Equity forward contracts	51	739	0	0	790	3	73
Stock options	1,619	2,507	863	4,313	9,302	852	858
Miscellaneous other transactions	185	571	104	0	860	63	101
Other derivatives	**5,195**	**11,143**	**2,291**	**4,603**	**23,232**	**1,318**	**1,599**
Derivatives	**457,875**	**421,094**	**531,365**	**420,394**	**1,830,728**	**24,437**	**26,225**

Dec. 31, 2007 EUR million							
Currency forwards	102,417	35,077	3,956	245	141,695	1,949	1,780
Currency options	3,901	4,066	8,301	233	16,501	172	149
Cross-currency interest rate swaps	2,501	4,874	12,567	9,392	29,334	1,620	2,836
Currency-related derivatives	**108,819**	**44,017**	**24,824**	**9,870**	**187,530**	**3,741**	**4,765**
Forward rate agreements	0	296,272	20,992	0	317,264	59	253
Interest rate swaps	248,560	201,048	336,489	328,196	1,114,293	12,338	11,416
Interest rate options	8,181	9,915	24,046	28,442	70,584	686	967
Caps/floors/collars	2,174	5,229	23,053	13,325	43,781	189	155
Other interest rate contracts	511	163	483	1,420	2,577	10	11
Exchange-traded interest rate products	27,390	45,451	14,811	0	87,652	26	13
Interest rate-related derivatives	**286,816**	**558,078**	**419,874**	**371,383**	**1,636,151**	**13,308**	**12,815**
Credit derivatives	**1,916**	**5,101**	**55,817**	**27,463**	**90,297**	**595**	**988**
Exchange-traded equity and index products	1,753	8	0	0	1,761	255	192
Equity forward contracts	5	0	0	0	5	4	2
Stock options	3,521	6,971	2,472	3,101	16,065	517	741
Miscellaneous other transactions	242	789	100	0	1,131	44	40
Other derivatives	**5,521**	**7,768**	**2,572**	**3,101**	**18,962**	**820**	**975**
Derivatives	**403,072**	**614,964**	**503,087**	**411,817**	**1,932,940**	**18,464**	**19,543**

For purposes of providing data on derivatives above, futures are listed at their fair values. In contrast, the balance of the market values of the futures and the offsetting margin payments in the relevant balance sheet items is zero.

Other Disclosures.

39. Capital Management.

	June 30, 2008 EUR million	Dec. 31, 2007 EUR million
Core capital (Tier 1)	12,694	12,422
Supplementary capital (Tier 2)	5,655	5,208
Tier 3 capital	993	993
Own funds	**19,342**	**18,623**
Capital charge for counterparty risk	136,250	150,014
Capital charge for market risk positions	31,463	41,388
Capital charge for operational risk	6,525	0
Total capital charge	**174,238**	**191,402**
Overall ratio in %	11.1 %	9.7 %

LBBW elected to take advantage of the transitional provisions set out in § 339 (9) Solvabilitätsverordnung (German Solvency Regulation) and applied this Regulation instead of Principle I for the first time from January 1, 2008. The disclosures as of June 30, 2008 are therefore based on the new Solvency Regulation, while the figures for December 31, 2007 were still calculated on the basis of Principle I.

40. Contingent Liabilities and Other Obligations.

	June 30, 2008 EUR million	Dec. 31, 2007 EUR million
Contingent liabilities	6,811	6,186
from sureties and guarantee agreements	6,805	6,180
Other obligations	28,993	27,974
from irrevocable loan commitments	27,977	27,390
	35,804	**34,160**

41. Related Party Disclosures.

EUR million	Share-holders with significant influence	Members of the Board of Managing Directors	Affiliates	Associates	Joint ventures	Other related parties/ companies
Loans and advances to other banks						
June 30, 2008	3,086	0	22	238	0	6,235
Dec. 31, 2007	3,681	0	11	2,084	0	6,421
Loans and advances to customers						
June 30, 2008	3,492	0	1,624	137	0	272
Dec. 31, 2007	4,146	0	1,780	17	0	264
Trading assets, financial assets designated at fair value						
June 30, 2008	1,662	0	1,146	0	0	644
Dec. 31, 2007	1,079	0	31	139	0	277
Investment securities						
June 30, 2008	0	0	732	90	10	391
Dec. 31, 2007	78	0	737	576	166	1,444
Other assets						
June 30, 2008	0	0	0	131	0	0
Dec. 31, 2007	0	0	0	131	0	0
Total assets						
June 30, 2008	8,240	0	3,524	596	10	7,542
Dec. 31, 2007	8,984	0	2,559	2,947	166	8,406

EUR million	Share-holders with significant influence	Members of the Board of Managing Directors	Affiliates	Associates	Joint ventures	Other related parties/ companies
Deposits from other banks						
June 30, 2008	4,063	0	72	0	0	5,584
Dec. 31, 2007	3,668	0	9	1,153	0	8,542
Due to customers						
June 30, 2008	4,553	2	668	7	0	516
Dec. 31, 2007	2,712	2	525	0	0	780
Securitized liabilities						
June 30, 2008	0	0	0	0	0	0
Dec. 31, 2007	0	0	0	0	0	1,014
Trading liabilities, financial liabilities designated at fair value						
June 30, 2008	371	0	0	4	0	231
Dec. 31, 2007	478	0	0	130	0	354
Provisions						
June 30, 2008	0	0	0	0	0	0
Dec. 31, 2007	0	0	0	0	0	4
Subordinated debt						
June 30, 2008	0	0	0	0	0	44
Dec. 31, 2007	0	0	0	0	0	55
Other liabilities						
June 30, 2008	0	0	0	0	0	0
Dec. 31, 2007	1	0	1	0	0	0
Total liabilities						
June 30, 2008	8,987	2	740	11	0	6,375
Dec. 31, 2007	6,859	2	535	1,283	0	10,749

42. Executive and Supervisory Bodies.

Board of Managing Directors of LBBW.

DR. SIEGFRIED JASCHINSKI
Chairman of the Board of Managing Directors

MICHAEL HORN
Deputy Chairman of the Board of Managing Directors

DR. PETER A. KAEMMERER
Member of the Board of Managing Directors

JOACHIM E. SCHIELKE
Member of the Board of Managing Directors

HANS-JOACHIM STRÜDER
Member of the Board of Managing Directors

DR. BERNHARD WALTER
Member of the Board of Managing Directors

RUDOLF ZIPF
Member of the Board of Managing Directors

The composition of the Supervisory Board changed as follows during the first half of 2008:

Members	UDO HUMMEL since January 1, 2008
	KARLHEINZ HEINZELMANN since May 1, 2008
	IRIS RIPSAM since May 8, 2008
	PROF. DR. WOLFGANG REINHARD, MEMBER OF THE STATE PARLIAMENT OF BADEN-WÜRTTEMBERG since June 3, 2008
Deputy Members	CHRISTIAN ROGG since January 1, 2008
	RENATE STEINER since May 1, 2008
	PROF. DR. DORIT LOSS since July 3, 2008
Stepped down	REINHOLD UHL as of April 16, 2008
	SIEGFRIED BESSEY as of April 30, 2008
	STEFAN BARG as of May 22, 2008
	RICHARD DRAUTZ as of June 3, 2008

43. Events after the Balance Sheet Date.

As of July 1, 2008, Landesbank Rheinland-Pfalz was merged with LBBW retroactively to January 1, 2008 and thus lost its status as a legally independent institution. As an entity with independent operations within LBBW, this institution, now named Rheinland-Pfalz Bank, functions as the regional bank serving customers in the state of Rhineland-Palatinate and nearby economic areas, assuming responsibility for the Corporate Banking business division focusing in particular on small- and medium-sized businesses, the Private Banking business division, and financial advisory services for institutional customers, including with regard to fund investments and, where necessary, the processing of development loans from Landestreuhandstelle Rheinland-Pfalz (Rhineland-Palatinate State Trust Agency).

On April 30, 2008, LBBW and BAWAG P.S.K., Vienna, Austria, agreed that LBBW would take over the Czech subsidiary of BAWAG P.S.K. Subject to the occurrence of all conditions precedent (including, in particular, the standard requirements under supervisory and antitrust law for transactions of this nature), the acquisition of BAWAG Bank CZ a.s., Prague, Czech Republic, is expected to be completed on September 1, 2008.

Additional material events that could affect the net assets, financial position, and results of operations after June 30, 2008 exist in the form of the ongoing financial market crisis and the associated adverse effects this could have on the consolidated financial statements as of December 31, 2008.

Responsibility Statement.

To the best of our knowledge, and in accordance with the applicable framework for interim financial reporting, the consolidated interim financial statements give a true and fair view of the net assets, financial position, and results of operations of the Group, and the interim group management report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks relating to the expected future development of the Group for the remaining months of the fiscal year.

Stuttgart, Karlsruhe, Mannheim, and Mainz, August 15, 2008

The Board of Managing Directors

DR. SIEGFRIED JASCHINSKI
Chairman

MICHAEL HORN
Deputy Chairman

HANS-JOACHIM STRÜDER

DR. BERNHARD WALTER

DR. PETER A. KAEMMERER

JOACHIM E. SCHIELKE

RUDOLF ZIPF

Review Report.

To Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz.

We have reviewed the condensed consolidated interim financial statements – comprising the balance sheet, condensed income statement, condensed statement of recognized income and expense, condensed cash flow statement, and selected explanatory notes – and the interim group management report of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz for the period from January 1 to June 30, 2008, which are part of the half-yearly financial report pursuant to § 37w WpHG (Wertpapierhandelsgesetz – German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the Board of Managing Directors of Landesbank Baden-Württemberg, Stuttgart, Karlsruhe, Mannheim, and Mainz. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW – Institute of Public Auditors in Germany). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Stuttgart, August 15, 2008

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

WALTER SCHULDT	DR. ANDREAS RUSS
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Note Regarding Forward-Looking Statements.

Insofar as this Half-yearly Financial Report contains forward-looking statements, expectations and assumptions, these statements may be subject to known and unknown risks and uncertainties. Forward-looking statements, identified by the use of words such as »estimate«, »forecast«, »planning«, »expect, »probably«, »assume« and similar expressions, are not historical facts. Consequently, the actual results and developments may differ materially from the expressed expectations and assumptions. Such developments may result from changes in general economic conditions, the competitive situation, the performance of the financial markets, the development of currency exchange rates, as well as from changes in the general legal and/or tax law framework. In addition, deviations may result from credit defaults and other reasons not listed here. The LBBW Group assumes no obligation to update any forward-looking statements in the light of new information or against the backdrop of future events occurring after the publication of this Half-yearly Financial Report.

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